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THE ECONOMIC SITUATION OF KOREA

Urgent Necessity of Unifying the Country

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The thirty million Korean people focussed their attention on the fourth United Nations General Assembly that opened at Lake Success on Sept. 19, last year. They hoped that the problem of the 38th parallel and their national unity would be presented to the Assembly for possible solution. Thanks to the efforts made by friendly nations, the Korean problem was taken up at the Assembly and the new United Nations Commission on Korea, charged with special functions in dealing with the problem of the 38th parallel and unification of Korea, has been established.

The Republic of Korea was formally inaugurated on Aug. 15, 1948, the third anniversary of our national liberation, and has since taken great strides in all fields of its national construction. The United States led our friendly nations in extending both moral and physical assistance to us. With their aid, internally, we are steadily improving the political, economic, cultural, national defense conditions and other facets of our national life and solidifying the foundation of our national policy. Internationally, nearly thirty countries have recognized our republic, enhancing its position in the family of nations.

Korea, however, has tracked an extremely hazardous road ever since the liberation. Nor can we discount the difficulties lying ahead of us. In the field of economy, government finance lacks sufficient resources to cover the imposing expenditures necessary in the initial stage of our national reconstruction. Annual deficits in the Government budget are almost inevitable. Despite the fact that effective steps are being taken to control credits and to absorb idle capitals, the monetary situation has developed inflationary tendencies and the price index is steadily moving upward. Large quantities of aid supplies are being shipped from the U.S., yet our foreign trade is still showing great unfavourable balance of payments. Some of these undesirable economic conditions may be traceable to mistakes made in economic operations involving finance, banking, commodity prices and trade. But such mistakes are only negligible factors in the unfortunate situation. The root of the evil is believed by the most competent observers to stem from the division of the country at the 38th parallel, hampering the industrial rehabilitation of the country.

Bearing such circumstances in mind, I would like to introduce to you the actual economic conditions of Korea and at the same time make some references to the effects of the division of the country on the economic reconstruction of Korea.

INDUSTRIES

1. Agriculture

Agriculture, with the production of rice (the Koreans' staple food) as its mainstay, since ancient times, has been the backbone of Korea's economy and even today it forms the nucleus of the economy.

Farmers represent 70% of the Korean population. The total industrial production in South Korea in 1948, according to a survey conducted by the Research Dept. of the Bank of Korea, was estimated at 455,100,000,000 won in value.

Of that total, agricultural production amounted to 334,300,000,000 won, representing 73.5%. Forestry production reached 31,800,000,000, 6.9%. Fishery production totalled 13 billion won, 2.9%. Mineral production amounted to 13 billion won, 2.9%. Manufacturing accounted for 53 billion won, 11.6%. And communication and transportation earnings reached 10 billion won, 2.2%. It is obvious that agriculture heavily dominates all other industries.

Korea even before her liberation was self-sufficient in food supplies despite having to ship the large quantities of rice out of the country. The comparative annual production of grains in South and North Korea in the five year period from 1940 to 1944 showed that 70.9% of the total rice crop was produced in the South and 29.1% in the North; 85.3% of wheat and barley was produced in the South and 14.7% in the North; 35.2% of beans was produced in the South and 64.8% in the North; and 19.5% of miscellaneous grains was produced in the South and 80.5% in the North. Of the total grain and beans crops, South Korea produced 63.7% and North Korea 36.3%. Thus prior to the liberation, South Korea accounted for the greater part of the rice and wheat production while North Korea produced the better part of beans and miscellaneous grains. As a whole, however, South Korea, containing the "rice bowl" of Korea in South and North Cholla provinces, was by far the most important as far as agricultural production was concerned.

Fertilizer, indispensable to agricultural production, mostly was produced by the Nitrogenous Fertilizer Co. in North Korea. It annually produced about 400,000 tons and met the entire country's demand. With this source cut off by the 38th parallel, the shortage of fertilizer has not only hampered the agricultural production in the South but also badly affected the morale of the Southern farmers relying so much upon chemical fertilizer. Since the liberation, South Korea has been obliged to depend upon imported fertilizer. From Nov., 1946 to July, 1949, 495,000 tons of fertilizer were imported to South Korea. The average annual production of grains in South Korea in the year of 1946 and 1947 totalled 20,307,000 suk, representing 79.4% of the average annual production in five years from 1940 to 1944, which aggregated 25,580,000 suk. Wheat and barley and miscellaneous grains lagged behind pre-liberation levels, but, as priority was given to rice production, South Korea harvested 13,850,000 suk in 1947; 15,485,000 suk in 1948; and an estimated 14,733,000 suk in 1949. These productions exceed the annual average in the 1940-1944 period of 13,718,000 suk. (One suk equals about 5⅛ bushel or 180.39 litres.)

In South Korea, the average requirement of grains including potatoes for one person, was estimated at 1.45 suk yearly and four hop daily in the 1940-1944 period. In the 1946-47 period following the liberation, it was estimated at 1.03 suk annually and 2.8 hop daily. (One hop equal 0.18 litre.) The deterioration on the per capita food supply stemmed from both the decline in production and increase in South Korea's population.

The problems of South Korea's agriculture at present include land reform, establishment of cooperative societies, agricultural finance, supply of fertilizers and so on. (They are by no means few in number) Among them, the fertilizer question may be the most urgent, and its fundamental solution be sought in the unification of the country.

2. Fishery

Korea is surrounded by the sea on three sides and the resources of it fishing industry are enormous. Important marine products include 75 kinds of fish, 20 kinds of shellfish, 15 kinds of seaweeds and 10 kinds of other sea products. The fishing industry in South Korea after the liberation, despite the difficulties in the supply of ships, materials and capital, has yielded substantial returns, and provided the country with important export goods, thereby contributing much to the acquisition of foreign exchange. Export statistics from January, 1947 to November, 1948, showed that marine products represented 60.9% of the total exported goods.

A comparison between South and North Korea's fisheries production in 1940 shows that 680,000 tons or 30.7% were produced in the South and 1,533,-000 tons or 69.3% were produced in the North. Fisheries production in South Korea reached 396,000 tons in 1947, the highest on record, but declined by about 60,000 tons in 1948. Compared with the pre-liberation period, it exceeded the production in 1944, when the war confined fishing to coastal waters; fell short of production before 1943, and represented about one half of the production in 1937, when the fishing industry was particularly prosperous.

The fishing industry of Korea is confronted by such problems as short supply of ships, materials and capital and the necessity for aiding impoverished fishermen, developing ocean fishing and cultivating overseas markets. However, the prerequisites for promoting Korea's fishing industry is the unification of South and North Korea.

3. Mining

Korea is said to be the gallery of mineral specimens. It has rich deposits of about 210 kinds of mineral and 140 kinds of useful metallic products. Mining is permitted or applied for in over 80% of the total area of the country. Known to be especially rich are the resources of gold and silver, iron, tungsten, mercury, iron sulphite, purites, fluor-spar, anthracite coal, graphite and mica.

A comparison of 1936 mineral production in the two zones shows that 21% of gold existed in the South and 79% in North Korea; 100% of iron in the North; 15.2% of tungsten in the South, 84.8% in the North; and 2.1% of coal mines in the South and 97.9% in the North. Thus it is clear that North Korea holds the greater part of the mineral resources of the peninsula. The resources of iron and coal, indispensable to industrial development, are almost exclusively deposited in the North.

The subterranean resources that are being developed in South Korea at present are coal (the source of power), tungsten, graphite and others which are prized as export goods along with marine products. Gold mining once was the most important mining industry in Korea but towards the end of the Japanese rule, priority was given to the development of strategic resources and gold mining was suspended, remaining so until 1948. It is not until last year that a new plan to exploit gold mines has been put into practice. After the liberation main efforts have been devoted to increasing the production of coal, especially anthracite. Its production reached 480,000 tons in 1947 and increased to 796,000 tons in 1948. The 1948 production represented 56% of the 1944 production. The production of lignite coal was 68,000 tons in 1948, the highest total since the liberation. Coal production in the first ten months of last year included 796,000 tons of anthracite coal (the 12 months total in 1948) and 54,000 tons of lignite coal.

Coal consumption in 1948 reached 1,419,000 tons of indigenous anthracite and imported bituminous coal, of which 451,000 tons were produced in Korea.

Bituminous coal imported from abroad (Japan) totalled 967,000 tons. Partly responsible for the wide gap between the production and consumption at home was insufficient transportation facilities, resulting in the accumulation of coal at mines and railway stations. The Office of Planning early last year mapped a comprehensive five-year supply program which envisages a demand for 1,000,000 tons of anthracite and 1,148,-000 tons of bituminous coal from April, 1949 to March, 1950. The program includes a plan to produce 1,200,000 tons of indigenous anthracite, while most of the bituminous coal needed is to be imported. The production of anthracite from April to September, last year, reached 505,000 tons, representing half of the projected demand, and optimism prevails over the prospect of effecting self-supply in anthracite. The import of bituminous coal is being transferred to private trade through a bidding system. If both plans succeed, the problem of coal supplies will be settled. The production of tungsten, graphite and other important minerals also is increasing annually.

The problem confronting the mining industry of Korea at present include short supply of capital and materials and the necessity for the development of transportation facilities and gold and silver mines. It also is vitally needed to establish an effective policy for administering vested mines which have great weight in the mining industry of Korea. However, without the unification of the country, it would be nearly impossible for South Korea alone to overcome the difficulties in the mining industry of Korea.

4. Manufacturing Industries

For many years under the Japanese rule, industries in Korea were not permitted to make full progress. After the Sino-Japanese and the Pacific Wars broke out, Japanese war efforts served to speed up the development of the Korean industries to some extent. But the primitive nature of the Korean industries remained unchanged.

After liberation, the rehabilitation of industries in South Korea, suffering from the inertia of the Japanese rule, was very slow due to shortages of power and materials, exacerbated by the division of the country, poor equipment and other unfavourable conditions.

South Korea is considered suitable for light industries while North Korea is shown as a heavy industry zone. Most of the natural resources needed in heavy industries are deposited in the North. The Japanese government, recognizing this distribution of resources, adopted the slogan, "Cotton in the South and wool in the North." South Korea produced most of the cotton, while wool was produced on a small scale in the North.

Electric power, an absolute necessity in industrial production, was plentiful in Korea because of the rich hydraulic resources of North Korea. Before the liberation, power production neared 1,000,000 kilowatts, of which about 909,000 KW were produced in the North. The average annual hydroelectric production in the South was 36,000 KW. The power supply from the North was suspended on May 14, 1948, and the government has since been making all possible efforts to produce additional power. The average power production in 1948 stood at 54,-000 KW but since March, last year, the average supply has been boosted to 70,000 or 80,0000 KW per month. However, the power shortage is still far from being solved.

Chemicals and textiles also represented important categories of the Korean industry, while metals and machinery ranked low. The total 1940 production in these fields was supplied 46.7% by South Korea and 53.3% by North Korea, the qualitative division between the South and North was almost even. The metallic industry was concentrated 10% in the South and 90% in the North; the mechanical industry, 72% in the South and 28% in the North; chemical, 16.9% in the South and 83.1% in the North; and textile 84.4% in the South and 15.6% in the North. Such being the case, when the interchange between the two zones in cut off, industrial rehabilitation is difficult to achieve.

Operating under such conditions, the industries in South Korea in 1948 produced no more than 21.2% of the output of 1940. The production by the textile industry, the key industry of the South, in 1948, represented 35.1% of that in 1940. As the government is taking steps to increase industrial production and ECA supplies are steadily flowing into the country, the industries in South Korea are gradually beginning to recover their strength.

The textile industry can be taken as an example of industrial conditions in South Korea, last year. Cotton production after the liberation declined to one third of the pre-liberation level, and most of this domestic production was consumed in homes and not mills. Raw cotton needed in the spinning and weaving industries was almost totally imported from abroad. The production of cotton yarn after the liberation reached 28,520 bales in 1946; 31,129 bales in 1947; and 33,055 bales in 1948. Of the 1948 production, 32,789 bales were produced in major factories. From January to October, last year, these facories produced 53,980 bales. The average monthly production of major cotton mills in 1948 was 2,728 bales; last year's average jumped to 5,398 bales, an increase of 97.9%. The production of cotton textiles in major mills in 1948 was 28,106,000 yards; it increased to 47,860,000 yards in the first ten months of last year. The average monthly production, last year, increased 104.4%. The cotton textile production in 1948 was able to provide each of the population of the South (about 20 million) with 1.66 yards but the increased production, last year, should supply each person in South Korea with 3.4 yards, a little more than the minimum need for one person set by the Japanese government in 1942 (three yards).

The government supply program calls for consumption of 77,340,000 kun of raw cotton and operation of 294,600 spindles in 1950. The goal of cotton collection (government purchases) is set at 10 million kun and 60 billion kun of cotton are to be imported from abroad. (One kun equals 1.323 pounds or 600 grams.)

FINANCE & BANKING

1. Finance

South Korea's Government budgets after the liberation continued to show deficits. The deficit in the three years of military and interim governments administration from October 1945 to September, 1948, totalled 28,859,000,000 won, including 995,000,000 won in 1945; 7,847,000,000 won, in 1946; 16,234,000,000 won, in 1947; and 3,783,000 won from April to Sept., 1948. In addition to these, more than 10,000,000,000 won in loans to the U.S.A. Occupation Army which were taken over by the Korean Government in accordance with a Korean-American agreement, the total deficit up to the end of September, 1948, exceeded 40 billion won. After the Republic of Korea was established, the deficit in the government budget amounted to 11,029,000,000 won from October, 1948 to March, 1949, and is estimated at 27,488,000,000 won for the fiscal year 1949/1950. The reason why such imposing "red figures" are presented is that the country lacks sufficient financial resources to meet the necessary expenses in the initial stage of national reconstruction. Failure to establish effective means of taxation in the confused period following the liberation and the shortcoming in the present taxation system may be counted among the factors in the shortage of financial resources, but by far the most important factors may be said to stem from the tax exemption granted to vested properties and the failure by these propertis to add to the government income.

Since the establishment of the Republican government, revenues from taxation, government properties and government commercial enterprises formed the main sources of revenue. Expenses for maintaining law and order as well as national defense represented 29.42% of the total in 1948 and 29.84% in 1949. What should be taken into consideration here are the division of Korea into two zones and the emergence of South Korea as an outpost in the worldwide "cold war". These deficits in the Government budget up to January, 1949, were covered by borrowings from the Bank of Korea, which is operating a special managed-currency system. The inflation caused by Government deficits financing is causing commodity prices to soar.

2. Banking

Immediately following the liberation, the Japanese issued the Bank of Chosun notes at random so that the note issue, which stood at 4.839,000,000 won on August 14, 1945, jumped to 8,680,000,000 won, nearly doubling in one month. This was aggravated by government financing and major efforts had to be made to check inflation.

The bond market closed by the Japanese government could not be reopened. Under these conditions, the only source of capital available to banking institutions was deposits. Major efforts were made, therefore, to absorb deposits. Since the establishment of the new Korean government, savings drives have been carried out regularly and have yielded substantial results. At the same time, capital advances were restrained as much as possible and limits were set on financial credits. The credit limit has been raised as the economic situation changed. As from April 1, 1948, the limit set at 500,000 won was increased to 2,000,000 won, while arrangements for free credits within fixed limits were also made. These measures were useful in halting the so-called credit inflation.

With 680 million won of deposits and 1,192 million won of loans at the end of 1936, the indices of ordinary deposits and loans (1936=100) in Dec., 1946 were 1,933 and 1,165, respectively; at the end of 1947, 3,899 and 3,127; at the end of 1948, 5,721 and 3,628; and at the end of Sept., 1949, 11,449 and 4,968. The rate of increase in deposits exceeded that of loans. As of the end of Sept., 1949, deposits totalled 77,855 million won and loans aggregated 59,213 million won.

Although strong efforts have been made by banking circles to check inflation, the index of note issue rose to 6,362 (1936=100; 167 million won average circulation in 1936) at the end of 1946; 12.088 at the end of 1947; 19,105 at the end of 1948 and 28,556 at the end of Sept., last year. These increases, emanating from the excess of government expenditures over revenues, exceeded the rate of increase in deposits by 2.4 to 3.3 times and that in loans by 3.8 to 5.7 times.

FOREIGN TRADE

During the Military Government's administration, private traders were unable to cultivate free overseas markets and acquire foreign exchange. Most of the imports were based on loans by the United States government, and foreign trade in that period was mainly government business. The door to private trade was opened for the first time with Hongkong. With the Korean-Japanese interim trade talks of April, 1949, as the turning point, government trade is being gradually turned into private trade channels.

Korea's foreign trade has shown very unfavourable balance of payments. Trade from the liberation to the end of 1948 consisted of 8,353 million won of imports, totalling 19,466 million won and showing an unfavourable balance of 2,760 million won. Total supplies shipped to Korea by the Military Government amounted to 434 million won (195,300 million won converted at the rate of 450 won to $1). Important export goods included sprats, laver, dried shrimps, agar-agar, graphite, tungsten and other marine and mineral products, as well as straw goods. Main import items were food-stuffs, fertilizers, news-print, woollen textiles, raw rubber, glass, raw cotton, salt and others. Beside the direct trade between the United States and Korea, trade via Hongkong was heavy.

The problems now confronting Korea's foreign trade include the necessity for expansion of overseas markets, establishment of a foreign exchange rate, establishment of an independent trade policy, promotion of exports by the manufacturing industry and simplification of private trade procedures.

CONCLUSION

It is evident that the Korean economy is pacing up its rehabilitation. However, as various economic indices indicate, adverse conditions in the fields of industries, finance, banking, and foreign trade cannot possibily be straightened out by means of temporary measures. Their fundamental solution may be sought in the unification of the country. It is a widely acknowledged conclusion that without national unification, economic reconstruction of Korea would be extremely difficult.

Economy is built on the foundation of industries and economic reconstruction starts from industrial reconstruction. It is clear from what has been stated above how difficult Korea's industrial reconstruction would be without national unification. Korea's economy under the Japanese government was prevented from keeping pace with the world in making progress. Effective measures can be taken to achieve its economic recovery. However, such recovery is possible only through economic connection and interchange between South and North Korea. Without this connection, the country's natural resources would be unable to be fully exploited and the economic development and independence of Korea would be impossible.

For the prompt rehabilitation of Korean economy, however, it is impossible to wait with folded arms until the unification of the South and the North is achieved. However, Korea is bound to cooperate with the United Nations in pushing ahead with the task of national unification, and at the same time she must proceed with her economic reconstruction, even under conditions of a divided country, by taking whatever urgent measures are possible within South Korea. Full economic construction under such conditions is impossible. Korea needs the economic aid of the United States with emphasis on industrial rehabilitation. The Republic of Korea, which has been doing its utmost efforts since it was founded over a year ago to adjust its internal machinery and maintain law and order in the country, is most anxiously waiting for early Congressional passage of ECA aid bill for Korea and the systematic assistance resulting therefrom for the sake of the successful economic rehabilitation of this newly born Republic.

Korean Economic Statistics

TRENDS OF PRODUCTION

Items	Year	Before Liberation South Korea Quantity	%	North Korea Quantity	%	Year	After Liberation South Korea Quantity	%
Agriculture	1940-44 Average	(Suk)		(Suk)		1948	(Suk)	
Rice	,,	13,718,157	70.9	5,656,129	29.1	,,	15,485,716	112.9
Summer Grains	,,	9,450,110	85.3	1,623,593	14.7	,,	5,438,768	57.6
Pulses	,,	1,171,953	35.2	2,154,961	64.8	1947	1,002,413	85.5
Other Grains	,,	1,240,573	19.5	5,128,990	80.5	,,	721,551	58.0
Total	,,	25,580,794	63.7	14,563,674	36.3	,,	—	—
		(Ton)		(Ton)			(Ton)	
Fishery	1940	680,000	30.7	1,533,000	69.3	1948	332,000	48.8
Mining	1936					1948		
		(Kg)		(Kg)			(Kg)	
Gold	,,	3,084	21.0	11,584	79.0	,,	108	3.5
Silver	,,	5,281	9.0	53,539	91.0	,,	935	17.7
		(Ton)		(Ton)			(Ton)	
Copper	,,	531	14.6	3,105	85.4	,,	63	11.9
Lead	,,	—	—	2,738	100.0	,,	236	—
Zinc Ore	,,	15	0.3	5,556	99.7	,,	422	2,817.3
Tungsten Ore	,,	260	15.2	1,447	84.8	,,	1,399	515.3
Coal	,,	48,082	2.1	2,233,911	97.9	,,	867,425	1,804.0
Kaoline	,,	6,480	26.2	18,232	73.3	,,	7,723	119.1
Graphite	,,	19,148	46.8	21,766	53.2	,,	15,454	80.7
Fluor-spar	,,	—	—	8,740	100.0	,,	—	—
Iron Ore	,,	2	—	234,398	100.0	,,	—	—
Industry	1940					1948		
		(1,000 Won)		(1,000 Won)			(1,000 Won)	
Metal	,,	4,900,493	10.0	44,318,540	90.0	,,	2,209,197	45.1
Machine & Tool	,,	13,855,918	72.0	5,393,797	28.0	,,	3,381,134	24.4
Chemical	,,	30,685,404	16.9	150,777,501	83.1	,,	15,158,270	49.4
Ceramics	,,	4,313,880	27.5	11,359,741	72.5	,,	1,426,899	33.1
Textile	,,	61,455,799	84.4	11,365,165	15.6	,,	21,567,558	35.1
Food-stuff	,,	75,991,638	64.0	42,760,508	36.0	,,	6,586,941	8.7
Printing & Book Binding	,,	6,225,254	88.8	781,547	11.2	,,	1,620,263	26.0
Others	,,	50,675,438	76.0	15,989,711	24.0	,,	196,877	1.4
Total	,,	248,103,824	46.7	282,746,510	53.3	,,	52,647,139	21.2
Electricity	1940-44 Average	(KW)		(KW)		1948	(KW)	
Hydro-Electric Power	,,	36,500	3.9	909,200	96.1	,,	54,572	149.5

Notes:—1) The percentages of Before Liberation are the ratios of South and North Korea.
2) The percentages of After Liberation are the ratios against the percentages of South Before Liberation.
3) The electricity production of After Liberation includes heating power.
4) The industrial production of 1940 are the amounts changed by the price index of 1948.

GOVERNMENT BUDGET IN 1949

(Net Accounts)
(In Million Won)

EXPENDITURE

Item	1949 Amount	%
General Account		
Office of the President	27	0.01
National Assembly	284	0.12
Supreme Court	611	0.27
Office of Prime Minister	11	—
Board of Audit	34	0.02
Civil Service Commission	16	—
Inspection Commission	28	0.01
Office of Administration	299	0.13
Office of Public Information	419	0.18
Office of Legal Affairs	31	0.01
Office of Planning	2,690	1.18
Ministry of Home Affairs	20,447	8.88
Ministry of Foreign Affairs	460	0.20
Ministry of National Defence	23,276	10.11
Ministry of Finance	3,788	1.65
Ministry of Justice	2,649	1.15
Ministry of Education	7,993	3.47
Ministry of Agric. & Foresty	6,456	2.80
Ministry of Industry & Commerce	12,085	5.25
Ministry of Social Affairs	2,240	0.97
Ministry of Health	91	0.04
Investigation Committee for Anti-National Acts	106	0.05
Special Account		
Bureau of Property Custody	789	0.34
Office of Supply	96,300	41.83
Monopoly Enterprises	15,415	6.70
Bureau of Vested Land Management	1,089	0.47
Bureau of Broadcasting	261	0.11
Transportation	27,194	11.81
Communication	4,866	2.11
Postal Insurance & Annuity	199	0.09
National Bong	93	0.04
Total	230,247	100

REVENUE

Item	1949 Amount	%
General Account (Ordinary)		
Taxes	12,781	5.55
Stamp Duty	779	0.34
Gov't Enterprises & Gov't Property Revenue	942	0.41
Miscellaneous Revenue	1,146	0.05
(Extraordinary)		
Sale of Gov't Property	151	0.06
Miscellaneous Revenue	411	0.18
Advances from Bank of Korea	27,488	11.94
Special Account		
Bureau of Property Custody	2,661	1.17
Office of Supply	120,777	52.45
Monopoly Enterprises	27,632	12.00
Bureau of Vested Land Management	3,596	1.56
Bureau of Broadcasting	210	0.09
Transportation	19,295	8.38
Communication	2,294	1.00
Postal Insurance & Annuity	84	0.03
National Bond	10,000	4.34
Total	230,247	100

Economic Reports from South Korea

TRANSPORTATION

Railroad: Demands for transportation facilities, including requirements to move tremendous ECA supplies, are continually expanding. To cover this demand there must be enough rolling stock in good condition. At present, however, there are many locomotives and cars which need to be replaced or repaired. Lacking materials, it cannot be hoped that complete recovery of the railroad can be accomplished in the near future.

Rolling stock repaired in Seoul and Pusan during 1949 are as follows: Locomotives 219, passenger cars 388, freight cars 1,827.

In spite of a decrease in the monthly average number of operable locomotives last year as compared with previous year (1948=655: 1949=628), the number of operative locomotives increased from 251 to 283 and inoperative decreased to 345 last year from 404 previous year.

Passenger traffic and loaded freight cars, January 1948 to December 1949.

	1948	1949
Passengers	70,399,000	74,549,000
Loaded cars	4,878,161 m/t (198,222 cars)	5,712,925 m/t (244,866 cars)

Marine: There is no alternative course but f.o.b. exports. To save ECA dollars, Korea must repair and build ships wherever the present equipment and abilities allow.

Muk-Ho-Hwan and other 18 ships which illegally went to Japan at the time of liberation will be restored to Korea shortly. This is the second restoration since the Hai-Un-Hwan and Keum-Kang-Hwan, were returned last June.

Korean Marine Transportation Company set up regular service between Japan and Korea effective February 1, this year. There are two lines, one is Pusan-Moji (5 voyages a month, cargo only) and the other, Pusan-Osaka-Kobe (3 voyages a month, cargo only).

FISHERY

Increasing Production of Laver: The outlook for production of laver has been good, thanks to favourable conditions of climate and tidal currents. It is now expected that about 7 million bundles of laver will be produced by April this year. The Fishery Bureau of the Ministry of Commerce and Industry has established 'Laver Producers Training Week' to improve quality. A total of 767 million won in funds was appropriated to collect 4,500,00 bundles of laver for export to Japan. In 1949, the amount shipped to Japan totalled 3,700,000 bundles, at a price of 55 cent per one bundle.

MINING & INDUSTRY

Coal Production: Total coal production at the government-owned mines during December was 100,206 tons (anthracite, 95,970 tons; lignite, 4,236 tons), an increase of 1,369 tons (anthracite, 1,600 tons; lignite, 200 tons) over the previous month's. The coal

ALL BANK LOANS

Classified by Borrowers

Item	(In 1,000 Won) Sept. 30, 1949
To Government Agencies	12,118,528
To Vested Cos. & Japanese Individuals	8,398,251
To Korean Cos. & Individuals	20,108,575
To Inter-Banks	8,800,216
Total	49,425,570
Government Overdrafts	92,670,169
Aid Supply Funding Account	41,319,723

Classified by the Business of Borrowers

Item	Sept. 30, 1949	%
Mining	409,729	1.01
Industry	10,206,140	25.11
Agriculture	7,456,584	18.34
Civil Engineering	1,366,655	3.30
Fishery	3,387,174	8.33
Transportation	665,317	1.64
Electricity & Gas	196,365	0.48
Commerce	8,873,010	24.30
Others	7,082,582	17.43
Total	40,643,556	100.00

production during 1949 was 1,044,362 tons, an increase of 260,000 tons over the previous year's. Monthly average in 1949 was 78,030 tons. Months in which production exceeded 100,000 tons were April, June, November and December. From July to October, monthly production was 70,000 to 80,000 tons. Such irregularity of production reflected problems of equipment, capital, electric power supply and public peace.

Raise of Electricity Charge: The electricity rate, which had been raised on June 1, 1949, again was increased January 1, 1950, to 10 won per KWH, a 100 per cent increase to distributing companies.

The charge imposed on consumers by each distributing company was raised as follows: fixed electric light....50%; meter electric light, basic charge.... 50%, meter charge....100%; electric power charge, basic....50%, meter.... 100%. The reason why rates had to be raised was becaused production costs could not be covered at 5 won per KWH and government subsidy was required to keep the industry operating.

The cost of production is 14.87 won per KWH. At 5 won per KWH, or a deficit of 9.87 won per KWH, the annual deficit was more than 6.3 billion won. Even with the deficit now cut to 4.87 won per KWH, about 3.17 billion won per annum must be subsidized by the Government.

The electric charge of electric power distributing companies has been decided after consideration on both the charge raise by the Korea Electric Power Company and the least expense for equipment repair and for operation of the distributing company. Inevitable as it is, such a great charge raise will make a great influence on the whole industry. Unless the charge raise brings the increase of power supply, it will give a great blow to national economy.

Long-Term Industrial Policies: Today industry attaches more importance to producing consumer goods than production goods. Only the most vital heeds of national economy can be met by ECA supply goods or government expenditures. In view of the fact that ECA aid is to end by 1952 (up to date

EXPORTS

By Country of Destination

Cumulative Jan. 1, 1946 to Dec. 31, 1948

Country		Government	Private	Total
Grand Total		1,225,998,522	7,127,981,479	8,353,980,001
Asia	(1946	—	47,099,922	47,099,922
	(1947	—	720,630,210	720,630,210
	(1948	1,147,484,772	5,628,017,967	6,775,502,729
Hongkong	(1946	—	—	—
	(1947	—	465,405,749	465,405,749
	(1948	52,848,572	5,448,522,092	5,501,370,664
Japan	(1946	—	8,874,699	8,874,699
	(1947	—	—	—
	(1948	1,094,636,200	—	1,094,636,200
Europe	(1946	—	—	—
	(1947	—	337,780,800	337,780,800
	(1948	—	—	—
America	(1946	—	—	—
	(1947	—	52,722,450	52,722,450
	(1948	78,513,750	341,730,130	420,243,880
U. S. A.	(1946	—	—	—
	(1947	—	52,722,450	52,722,450
	(1948	78,513,750	341,730,130	420,243,880

EXPORTS

Major Commodity Groups

By Value

		Government	Private	Total
Oil & Fats etc.	(1946	—	—	—
	(1947	—	—	—
	(1948	—	1,017,600	1,017,600
Foodstuff etc.	(1946	—	42,169,539	42,169,539
	(1947	—	491,936,914	491,936,914
	(1948	1,057,136,200	3,920,546,921	4,977,683,121
Dyes & Coloring Agent	(1946	—	—	—
	(1947	—	140,000	140,000
	(1948	—	—	—
Chemicals etc	(1946	—	2,224,457	2,224,457
	(1947	—	235,314,575	235,314,575
	(1948	—	474,253,985	474,253,985
Garments etc	(1946	—	—	—
	(1947	—	—	—
	(1948	—	453,000	453,500
Cloth etc.	(1946	—	70,000	70,000
	(1947	—	16,394,000	16,394,000
	(1948	—	107,409,290	107,409,290
Yarn & Its Products	(1946	—	357,956	357,956
	(1947	—	99,173,983	99,173,983
	(1948	33,618,850	302,243,421	335,862,271
Animal, Vegetable & Related Products	(1946	—	2,251,650	2,251,650
	(1947	—	39,311,461	39,311,460
	(1948	37,500,000	267,897,090	305,397,090
Machinery etc.	(1946	—	9,520	9,520
	(1947	—	—	—
	(1948	—	—	—
Metals & Related Products	(1946	—	16,800	16,800
	(1947	—	109,779,409	109,779,409
	(1948	89,313,750	568,332,192	657,645,942
Minerals etc.	(1946	—	—	—
	(1947	—	108,755,278	108,755,278
	(1948	8,429,722	195,160,708	203,590,430
Miscellaneous	(1946	—	—	—
	(1947	—	9,495,000	9,495,000
	(1948	—	131,677,390	131,677,390
Re-Exports	(1946	—	—	—
	(1947	—	832,840	832,840
	(1948	—	756,000	756,000
Grand Total	(1946	—	47,099,922	47,099,922
	(1947	—	1,111,133,460	1,111,133,460
	(1948	1,225,998,522	5,969,748,097	7,195,746,619

IMPORTS
By Continent of Destination

		Government	Private	Total
Grand Total		97,684,891	11,016,303,587	11,113,988,478
Asia	(1946	—	167,877,749	167,877,749
	(1947	—	1,279,626,233	1,279,626,233
	(1948	58,763,470	4,404,883,653	4,463,647,123
Africa	(1946	—	—	—
	(1947	—	—	—
	(1948	18,903,591	—	18,903,591
Europe	(1946	—	—	—
	(1947	—	451,480,175	451,480,175
	(1948	16,332,703	2,793,759,296	2,810,091,999
America	(1946	—	528,308	528,308
	(1947	—	279,642,119	279,642,119
	(1948	3,685,127	1,491,552,503	1,495,237,630
Oceania	(1946	—	—	—
	(1947	—	77,376,679	77,376,679
	(1948	—	69,576,872	69,576,872

IMPORTS
Major Commodity Groups
By Value

Commodity		Government	Private	Total
Oil, Fats etc	(1946	—	17,368,777	17,368,777
	(1947	—	152,243,689	152,243,689
	(1948	—	594,146,131	564,146,131
Foodstuff etc	(1946	—	96,185,724	96,185,724
	(1947	—	188,849,026	188,849,026
	(1948	378,070	204,108,913	204,486,983
Dyes and Coloring Agents	(1946	—	1,332,833	1,332,833
	(1947	—	93,061,293	98,061,293
	(1948	—	452,696,330	452,696,330
Chemicals etc.	(1946	—	17,684,216	17,684,216
	(1947	—	269,577,905	269,577,905
	(1948	—	1,228,954,547	1,228,954,547
Garments etc.	(1946	—	688,745	688,745
	(1947	—	30,205,947	30,205,947
	(1948	—	23,244,299	23,244,299
Cloth etc.	(1946	—	3,501,476	3,501,476
	(1947	—	211,494,723	211,494,723
	(1948	—	434,993,508	434,993,508
Paper etc.	(1946	—	842,186	842,186
	(1947	—	368,594,969	368,594,969
	(1948	35,236,294	2,616,955,855	2,652,192,149
Yarn etc.	(1946	—	1,405,128	1,405,128
	(1947	—	156,324,539	156,324,539
	(1948	13,609,800	1,052,889,814	1,066,499,618
Animal, Vegetable & Related Products	(1946	—	6,892,344	6,892,344
	(1947	—	352,247,454	352,247,454
	(1948	31,441,142	1,306,290,008	1,343,731,150
Machinery etc.	(1946	—	4,108,680	4,108,680
	(1947	—	62,695,612	62,695,612
	(1948	11,019,585	417,073,133	428,092,718
Metals	(1946	—	759,532	759,532
	(1947	—	32,891,362	23,891,362
	(1948	—	58,488,685	58,488,685
Pottery and Glass	(1946	—	16,708,431	16,708,431
	(1947	—	141,340,529	141,340,529
	(1948	—	225,392,836	225,392,836
Minerals etc.	(1946	—	218,726	218,726
	(1947	—	181,803	181,803
	(1948	—	3,680,091	3,680,091
Miscellaneous	(1946	—	171,567	171,567
	(1947	—	1,793,532	1,793,532
	(1948	—	72,527,142	72,527,142
Parcel Post	(1946	—	506,308	506,308
	(1947	—	25,052,710	25,052,710
	(1948	—	43,917,218	43,917,219
Personal Property	(1946	—	31,384	31,384
	(1947	—	9,813,513	9,813,513
	(1948	—	22,739,102	22,739,102
Re-Imports	(1946	—	—	—
	(1947	—	756,600	756,600
	(1948	—	31,694,711	31,694,711
Grand Total	(1946	—	168,406,057	168,406,507
	(1947	—	2,088,125,206	2,088,125,206
	(1948	97,684,891	8,759,772,324	8,857,457,215

the ECA program is approved until 30 June, 1950), the urgency for establishing a basic independent economic system cannot be too strongly emphasized.

First of all, fertilizer, cement, machine tools, industrial and transportation machinery. A plan for establishing a Korean Cement Company already is mapped and it is expected that it will be possible to meet the demand for cement with home production in the future. As for fertilizer, it seems impossible for some time to realize self-sufficiency. A plan for reconstruction of the metal and machine industry has been drafted with estimated costs of 2,836 million won for equipment nad 3,800 million won for working fund. The former is to be financed by government subsidy and government-guaranteed loan, and the latter by government-guaranteed loan only.

Electric Program of First Quarter of 1950: The authorities concerned have been able to supply power only to the most urgent consumers. In the new power supply program for the first quarter, monthly production in South Korea is estimated at 54 million KWH (average 75,000 KW) and about 45 million KWH (85.3%) are to be supplied to the electric power distributing companies.

The new program was made on condition that total power production averages 75,000 KW. As the production changes, the electric companies are to distribute the power according to the power distribution program graph.

Malayan Foreign Trade for 1949

The foreign trade of Malaya for 1949, according to figures issued by the Dept. of Malayan Statistics, was as under:—

	M$	£
Total trade	3,519,122,696	410,564,314
Imports	1,840,189,958	214,688,828
Exports	1,678,932,738	195,875,486
Import excess	161,257,220	18,813,342

During the year the monthly average for imports was M$153,349,163 (£17,-890,735) and for exports $138,991,161 (£16,322,957).

The leading countries trading with Malaya in 1949 were the United Kingdom which came first with a total trade of $588.74 m. and the U.S.A. which followed with $542.85 m., these two taking between them a proportion of 32% of the total trade involved; Indonesia came third with $456.1 m., and Thailand fourth with $237.63 m. An excess of exports from Malaya to the U.S.A. was shown amounting to $317.64 m., as well as in the trade of Hongkong, the Netherlands, France, Germany, Canada and the U.S.S.R., in the latter case trade being mainly in purchases of rubber, imports being almost negligible.

Details of some of the main items in Malayan trade with the principal foreign countries concerned are given below. Values are in Malayan dollars; imports indicate imports into Malaya and exports cover goods despatched abroad.

United Kingdom:

Total trade	$588,745,290
Imports	383,379,007
Exports	205,366,283
Import excess	178,012,724

Imports:—Meat, food and drink (dutiable and non-dutiable) $92.1 m.; cotton yarn and textiles, vehicles, chemicals, drugs and dyes, machinery, electrical goods, iron and steel and non-ferrous metals $289.7 m.

Exports:—Food and drink (non-dutiable) $7.39 m.; rubber, oilseeds and nuts, wood and timber $191.7 m.; non-ferrous metals $4.95 m.

U.S.A.:

Total trade	$542,952,420
Imports	112,656,052
Exports	430,296,368
Export excess	317,640,316

Imports:—Food and drink (non-dutiable) $23.17 m.; machinery, iron and steel, vehicles, cotton yarn and textiles, manufactured articles, oils and fats, electrical goods $88 m.

Exports:—Rubber $208.24 m.; non-ferrous metals $220.82 m.

Indonesia:

Total trade	$456,103,499
Imports	317,433,512
Exports	138,669,987
Import excess	178,763,525

Imports:—Grain and flour, feeding stuffs for animals, food and drink (non-dutiable) $58.91 m.; non-ferrous metalliferous ores, wood and timber, oilseeds and nuts, rubber $134.3 m.; cotton yarn and manufactures, oils and fats $124.21 m.

Exports:—Food and drink (dutiable and non-dutiable), tobacco $31.4 m.; oilseeds and nuts, wood and timber $3.44 m.; cotton yarn and textiles, chemicals and dyes $103.82 m.

Thailand:

Total trade	$237,637,153
Imports	193,069,918
Exports	44,567,235
Import excess	148,502,683

Imports:—Rice, food and drink (non-dutiable), feeding stuffs for animals $144.85 m.; non-ferrous metalliferous ores, wood and timber, oilseeds and nuts, rubber $44.7 m.; leather goods, manufactured articles, chemicals drugs and dyes, silk $3.51 m.

Exports:—Food and drink (non-dutiable) $7.79 m.; cotton yarn and manufactures, oils and fats, vehicles, rubber manufactures $35.95 m.

Australia:

Total trade	$175,103,068
Imports	103,250,189
Exports	71,852,879
Import excess	31,397,310

Imports:—Flour, meat, non-dutiable food and drink $91.49 m.; machinery, chemicals and dyes, miscellaneous manufactured articles $11.26 m.;

Exports:—rubber, miscel. raw materials $23.95 m.; oils and fats $43.93 m.

India:

Total trade	$128,295,668
Imports	67,403,459
Exports	60,892,209
Import excess	6,511,250

Imports:—Food and drink (non-dutiable) and tobacco $6.8 m., coal, wood and timber, oils and fats, raw cotton $3.86 m.; cotton yarn and textiles, manufactured articles $56.74.

Exports:—Grain and flour, food and drink (non-dutiable) $20.19 m.; oilseeds, rubber $27.06 m.; oils and fats $13.63 m.

Hongkong:

Total trade	$113,724,210
Imports	47,700,460
Exports	66,023,750
Export excess	18,323,290

Imports:—Non-dutiable food and drink, meat, grain and flour $5.55 m.; iron and steel, electrical goods, cotton yarn and textiles, apparel, chemicals and dyes, manufactured articles $41.58 m.

Exports:—Rubber, oilseeds and nuts, wood and timber $26.89 m.; cotton yarn, textiles, oils and fats, iron and steel $29.11 m.; food and drink and tobacco $9.78 m.

Sarawak:

Total trade	$108,954,222
Imports	81,721,146
Exports	27,233,076
Imports excess	54,488,070

Imports:—Oils and fats $51.43 m.; rubber, oilseeds and nuts $26.26 m.; non-dutiable food and drink $3.92 m.

Exports:—Food and drink, tobacco $10.95 m.; cotton yarn and manufactures oils and fats, manufactured articles $15.48 m.

Burma:

Total trade	$ 95,791,153
Imports	83,010,700
Exports	12,780,453
Imports excess	70,230,247

Imports:—Rice, animal feed stuffs $72.08 m.; rubber, non-ferrous metalliferous ores, wood and timber $10.09 m.

Exports:—Non-dutiable food and drink $3.85 m.; oilseeds and nuts $5.97 m.; electrical goods, cotton yarn and manufactures, chemicals and dyes $2.95 m.

China:

Total trade	$ 82,951,539
Imports	76,081,930
Exports	6,869,609
Import excess	69,212,321

Imports:—Grain and flour, food and drink and tobacco $32.74 m.; oilseeds miscellaneous raw materials, rubber $5.34 m.; cotton yarn and textiles, chemicals and dyes, paper, miscel. manufactured articles $37.99 m.

Exports:—Rubber $5.79 m.; miscel. manufactured articles $1.01 m.

Italy:

Total trade	$ 80,533,094
Imports	38,875,551
Exports	41,657,543
Export excess	2,781,992

Imports:—Grain and flour, non-dutiable food and drink $4.58 m.; cotton yarn and manufactures, other textile materials, vehicles $34.17 m.

Exports:—Rubber, oilseeds and nuts $34.61 m.; non-ferrous metals and manufactures $5.11 m.

Netherlands:

Total trade	$ 79,214,592
Imports	20,568,501
Exports	58,646,091
Export excess	38,077,590

Imports:—Food and drink, tobacco $11.6 m.; oilseeds oils and fats $238,369; electrical goods, cotton yarn and manufactures, paper, chemicals and dyes $8.72 m.

Exports:—Rubber, oilseeds and nuts $45.5 m.; non-dutiable food and drink $11.73 m.; non-ferrous metals $1.4 m.

Japan:

Total trade	$ 72.077.157
Imports	41,811,288
Exports	30,265,869
Import excess	11,545,419

Imports:—Cotton yarn and textiles, iron and steel, glass $38.52 m. non-dutiable food and drink $3.29 m.

Exports:—Iron ore, rubber $29.24 m.; oils and fats $789,761.

France:

Total trade	$ 70,237,145
Imports	10,828,755
Exports	59,408,390
Export excess	38,579,635

Imports:—Grain and flour $5.21 m.; textiles, chemicals and dyes, miscel. manufactured articles $5.61 m.

Exports:—Rubber $52.36 m.; non-ferrous metals $6.88 m.

Germany:

Total trade	$ 61,288,420
Imports	9,169,184
Exports	52,119,236
Export excess	42,950,052

Imports:—Iron and steel, hardware and instruments, chemicals, drugs and dyes $8.69 m.

Exports:—Non-dutiable food and drink $2.23 m.; rubber, oilseeds and nuts $48.58 m.; non-ferrous metals $2.3 m.

Canada:

Total trade	$ 54,147,870
Imports	18,150,169
Exports	35,997,701
Export excess	17,847,532

Imports:—Grain and flour, food and drink (non-dutiable) $7.41 m.; wood and timber, oils and fats $606,682; vehicles and miscel. manufactured articles $10.13 m.

Exports:—Rubber $24.87 m.; non-ferrous metals $10.77 m.

U.S.S.R.:

Total trade	$ 53,845,445
Imports	6,022
Exports	53,839,423
Export excess	53,833,401

Imports:—Chemicals $6,022.

Exports:—Rubber $53.84 m.

N. Borneo:

Total trade	$ 40,729,837
Imports	21,075,011
Exports	19,654,826
Import excess	1,420,185

Imports:—Rubber, oilseeds and nuts $20.08 m.; food and drink (non-dutiable) $712,858.

Exports:—Food and drink (dutiable and non-dutiable) $5.73 m.; cotton yarn and manufactures, oils and fats, vehicles, manufactured articles $13.65 m.

Taiwan:

Total trade	$ 20,247,499
Imports	18,717,896
Exports	1,529,603
Import excess	17,188,293

Imports:—Food and drink (non-dutiable) $18.02 m.; glass $679,701.

Exports:—Oilseeds and nuts, rubber $1.52 m.

Trends in Malaya

Official Statistics on the production & trade in tin, rubber in the Malayan Federation & Singapore for the opening quarter, despite the recent intensification of bandit activity are still in line with last year's figures for the same period. There were indications of a decline in the production of coconut products, although the position improved slightly in February. Exports of produce continue at a high level, especially in the case of rubber but there has been a decline in shipments of refined tin. Imports from Indonesia, especially from Sumatra indicate that Singapore is maintaining the considerable entrepot trade of the post-war years.

Tin Stocks rise while exports remain Stable

In the case of the output of refined tin there was a fall in the February output of 819 tons but this is in the same ratio as for the previous year; the aggregate of 9,541 tons for the two initial months of 1950, however, shows a rise of 1,781 over the corresponding period of last year. Stocks were, however, accumulating at an increasing rate and at the end of February these were reported to have reached a total of 20,240 tons, a substantial rise on the figure of 8,011 tons, for the same period of a year ago.

In view of the troubled conditions in the Federation, it is significant that the total production of tin ore for the first three months stands at 14,185 tons and that output for March at 4,780 tons shows only a small decline on production during the best month of 1949, November, which amounted to 5,020 tons. The main supplies of tin ore originated from Perak & Selangor, where there have been recently a number of incidents; the month's output for the former stood at 3,206 tons and the latter at 1,130 tons. Supplies of tin ore from the adjoining territories amounted to 983 tons for the month; 867 tons of this ore originated in Thailand, 101 tons from Burma, 9 tons from French Indo-China & 6 tons from Indonesia. The rate of exports of tin metal has not been maintained at the high level of the beginning of last year; this stood at 13,076 tons, as compared with no more than 10,787 tons for the two months in question. Figures of exports of tin metal for the first three months of 1950, amounting to 17,514 tons, shows little reduction on last year's total of 17,514 tons. The destination of exports (in long tons) was as follows:—

	Jan.	Feb.	March	Total
United Kingdom	310	1,125	400	1,835
U. S. A.	4,650	2,365	4,654	11,669
Continent of Europe	941	611	1,502	3,054
British Possessions	344	296	129	767
Other Countries	125	22	42	189
	6,370	4,419	6,727	17,514

Rubber exports still at average level

Shipments of rubber overseas for the first three months of 1950 were roughly in line with the average of 235,553 tons for the same period during the past three years. Ribbed smoked sheet accounted for 160,494 tons, remilled rubber 15,940 tons & latex & brown crepe amounted, respectively, to 15,719 and 15,940 tons. The main customers for the Federation and Singapore were: U.S.A. 85,095 tons, United Kingdom 49,421 tons, Soviet Russia 18,099 tons, France 17,314 tons; Canada & Australia took respectively 9,542 & 9,176 tons; while Italy took 8,830 tons, Germany & Japan imported 7,822 & 5,028 tons. The Hongkong imports of rubber in March amounted to 579 tons, bringing up the total for 1950 to 1,369 tons; during the latter month 319 tons of ribbed smoked sheet & 223 tons of crepe were brought in. The main export of latex was directed towards the U.S.A., which took 2,680 tons, with the United Kingdom well behind at 855 tons, while France imported 467 tons. Although the United States was still the heaviest importer of ribbed smoked rubber at a total of 18,377 tons, Soviet Russia at a figure of 10,699 tons exceeded slightly the total exported to the United Kingdom during the initial quarter of the year.

Total stocks of rubber held by dealers and at the ports of the Malayan Federation & Singapore, as at 31st March, amounted to 65,919 tons, as compared with 64,280 tons, a couple of months earlier. During March Sumatran exports of rubber to Singapore and Malaya totalled 17,087 tons, as compared with 29,157 tons for the opening months of this year; about 4,000 tons originated from the rest of Indonesia; total imports for a similar period from Sarawak North Borneo amounted to 14,768, with French Indo-China & Thailand exporting 1278 tons each.

Small Fall in Coconut output

The total output of coconut products in the Malayan Federation on both the large estates & from small-holders has shown a decline for the first two months of 1950, as compared with a year ago. The aggregate for the period amounted to 17,472 tons, as compared with 18,031 tons in 1949.

The fall took place in January, when the aggregate output fell by 1,110 tons to 8,992 tons but output caught up in February, when the aggregate of 8,480 tons showed an improvement of about 300 tons on the previous year.

Registration of Trade Unions

At the end of February there were 168 trade unions registered in Malaya. There were also 17 unions, of which one is a Federation, waiting for registration. Total membership of all unions and those pending registration was 44,222 (116 less than the figure for January).

The number of trade unions and their membership by States & Settlements are as follows:

	No. of unions	Total Membership
Penang	25	6,354
Kedah-Perlis	11	2,535
Johore	15	2,701
Malacca	14	2,429
Perak	37	8,598
Selangor	50	16,587
Negri Sembilan	9	2,023
Pahang	7	1,216
Kelantan	—	—
Trengganu	—	—
Total	168	42,443

The number of Government trade unions is 72 with a total membership of 20,504. Figures of Government trade unions by all States and Settlements are as follows:—

	No. of Gov't. Trade Unions	Total Membership
Penang	9	3,446
Kedah-Perlis	3	575
Malacca	7	1,444
Johore	10	1,915
Perak	10	2,907
Selangor	24	8,045
Negri Sembilan	7	1,423
Pahang	2	749
Kelantan	—	—
Trengganu	—	—
Total	72	20,504

The Woollen Industry of Japan

Production facilities of the woollen industry were severely curtailed during the war and at the same time the industry experienced substantial structural changes. The worsted branch showed a recession both absolutely and relatively, whilst the woollen branch registered a marked advance, with resultant changes in the import situation of materials and in the production and export of woollen products.

After the war, owing to the limited supply of raw materials, the operation rate was restricted. During the period from the cessation of hostilities to the first half of 1947, there was no supply of raw materials other than those carried over from the war. Despite the reopening of imports later, actual arrivals were not satisfactory. Thus, during the period from 1946 through 1948, the annual production of both yarn and tissues showed a general decline (except for a slight increase in tissues in 1948). Under these circumstances, the shortage of raw materials further necessitated the structural changes in the industry. As the long-term economic rehabilitation program will be established based on these structural changes, prospective production may be quite different from the pre-war time. The expansion of the wollen branch and the recession of worsted section will be further accentuated, with resultant changes in the import of raw materials as well as in the production and export of products. In particular, the international trade balance will be greatly affected.

Changes in Production Facilities

Compared with the pre-war level (average for 1935-37), equipment at the end of 1945 showed a decline of 70.0 per cent for the worsted branch, 35.8 per cent for woollens and 65.3 per cent for the weaving branch. The decline in the worsted and weaving branches was thus almost double that in the woollen branch. This reduction of equipment during the war was mainly due to enterprise readjustment and war damages. The transfer of equipment to hemp manufactures and to abroad was also responsible for the decline in production capacity.

Before the war, worsted production which had started with muslin and serge for domestic use made rapid progress, and later developed markedly as an important export industry. However, as this branch depended for the supply of high-grade raw wool largely upon Australia, the commercial boycott of Australian wool in 1936 and the enforcement of the Law relating to Temporary Measures for Export and Import and other wartime control laws affected this industry.

The import of wool was strictly limited to through a link-system depending on foreign exchange obtained by the export of worsted goods which amounted to only 25 per cent of total production. On the contrary, the woollen branch which produces coarse cloth from relatively inferior wool coming from South Africa, South America, China, etc., waste wool and rayon staple fibre and other substitutes, showed a marked improvement

in exports and to meet military requirements. After the outbreak of the war, this situation became more apparent owing to the suspension of normal foreign trade. This is why the scrapping of idle equipment through enterprise readqustment and the transfer of equipment to other branches mainly affected the worsted branch, while equipment transferred abroad was selected mainly from the woollen branch. However, war-damage in woollen industry was relatively large, particularly in Nagoya, Osaka and Tokyo.

As regards the weaving branch, structural changes were due to the fact that the delivery of equipment through enterprise readjustment was imposed on broad cloth looms because of the enforcement of the compulsory admixture of rayon staple fire and the prohibition of production of muslin and serge after 1937. The greater part of heavy looms for woollen tissues were exempted from such delivery.

The number of spindles in the worsted branch at the end of August 1949 was only 49.6 per cent of the pre-war level, whilst the woollen branch surpassed the pre-war figure by 16.9 per cent. The recovery in the weaving branch was only 53.1 per cent, due to unfavourable development of light looms for broad cloth.

According to the intermediate authorized limit of equipment fixed by SCAP in August 1947, the limit of the worsted branch was fixed at 733,000 spindles and that of the woollen branch at 815 units. The former is only 55.4 per cent of the pre-war level (average for 1935-37), and 45 per cent of the highest figure (average for 1939-41), whilst the latter showed an increase of 20.6 per cent and 10.2 per cent compared with the pre-war level and the highest record. The recovery ratio of workable equipment at the end of August 1949 compared with the authorized limit was 89.8 per cent for the worsted branch and 95.0 per cent for the woollen branch. However, the authorized limit of the woollen branch is only 326,000 spindles (calculated from the ratio of 400 spindles per 1 unit of machine), or 44.6 per cent of that of the worsted branch, and an augmentation of equipment in the woollen branch is seriously discussed from the viewpoint of economy in raw wool consumption.

Changes in Production

Production in the woollen industry made rapid progress after 1933, when a substantial export trade was realized, reaching the highest peak in 1936 for yarn and in 1935 for tissues. At this period, worsted yarn accounted for 60 per cent of total yarn production (58.2 per cent for 1930-34; 67.1 per cent for 1935-37). However, on account of wartime control, production declined gradually after 1937 due to the restriction of imports of raw materials and reduced consumption of products, and a rapid decline was witnessed after 1941. The average yarn production during the period from 1938 to 1940 showed a decline at 30 per cent and that of tissues decreased by 50 per cent compared with the peak figures.

The production of worsted yarn and tissues recovered considerably since the beginning of 1949, output of worsted yarn in 1949 being three-fold and that of tissues two-fold the level of the previous year. Thus, the relative positions of woollen yarn and tissues declined to 64.0 per cent and 62.2 per cent respectively, showing a reduction of 20 per cent compared with the previous year. Moreover, according to the production program for the period from October to December, which is scheduled to double the production of worsted yarn, the relative position of woollen yarn declined to 59.9 per cent (woollen tissues 58.3 per cent) of the total yarn production. The above situation was brought about by the increased import of wool, which totalled 13,728,000 lbs. in the first half of the year and 21,334,000 lbs. in the latter part, showing an increase of 13.6 per cent over the previous year. According to an investigation of SCAP, the supply of wool in the current year ending August 1950 may reach 250,000 bales as against 148,000 bales in the original plan (the preceding year amounted to only 80,000 bales as against 100,000 bales of the plan). In expectation of this increase in the supply of wool, the operation rate of worsted goods is expected to advance from less than 50 per cent in the past to nearly 90 per cent. At the same time, the admixture of pure wool was raised to 40 per cent (20 per cent in the past) for worsted yarn and to 20 per cent (10 per cent) for woollen yarn.

The recent trend was a natural result of the reduced equipment in the woollen branch as compared with the worsted branch. The advance of the relative position occupied by worsted yarn will be limited within the intermediate authorized limit of equip- is not in contradiction with the fundamental structural change.

Changes in Trade Balance

The woollen and worsted industry in the years 1929 and 1930, when Australian high-grade wool accounted for more than 90 per cent of the total of imported wool, was not yet regarded as an export industry, the radio of import excess to imports being 95.1 per cent and 94.7 per cent respectively. In the period from 1935 to 1937, when exports showed marked prosperity, the ratio of Australian wool declined to 90 per cent of imported wool due to the boycott of Australian wool and imports of comparatively low-grade wool produced in South Africa, South America, China, etc. increased markedly. On the other hand, high-grade worsted goods were exported, and the rate of import excess to total imports declined to about 70 per cent (65.2 per cent in 1935, 74.1 per cent in 1936, and 73.7 per cent in 1947).

Furthermore, owing to the restriction by the Japanese government of imports of wool through the link system and the prohibition to produce high-grade worsted goods for domestic use, the ratio of import excess declined further to 30.4 per cent in 1938, and in

PRODUCTION IN THE WOOLLEN INDUSTRY BEFORE AND AFTER THE WAR

		1935-37		1949	
Imports of raw wool	(1,000 lbs)	243,280	100.0	35,062	14.4
Consumption of raw wool	(1,000 lbs)	250,075	100.0	7,277	—
Worsted branch					
Equipment	(spindle)	1,325,862	100.0	657,939	49.6
Production	(1,000 lbs)	97,526	100.0	13,124	13.5
Woollen branch					
Equipment	(Card)	662	100.0	774	116.9
Production	(1,000 lbs)	47,667	100.0	23,302	48.9
Weaving branch					
Equipment	(no.)	29,392	100.0	15,612	53.1
Production of tissues	(1,000 yds)	306,361	100.0	34,133	11.1

PRODUCTION OF WOOLLEN AND WORSTED GOODS

(yarn in 1,000 lbs; tissues in 1,000 sq. yards)

	Yarn						Tissues			
	Worsted		Woollen		Total		Worsted	Woollen	Total	
1935-37	97,526	100.0	47,667	100.0	145,193	100.0	—	—	306,361	100.0
1949	13,054	13.4	23,241	48.5	36,295	25.0	12,971	21,369	34,340	12.1

POST-WAR IMPORTS AND EXPORTS OF WOOLLEN AND WORSTED GOODS

	Import		Export			
	Raw wool		Woollen and worsted yarn		Woollen and worsted tissues	
	(1,000 lbs)	%	(1,000 lbs)	%	(1,000 sq. yds.)	%
1935-37	243,280	100.0	6,762	100.0	33,494	100.0
1946	—	—	—	—	332	—
1947	2,765	1.1	400	5.9	1,249	—
1948	21,188	8.7	317	4.7	2,133	—
1949	35,062	14.4	1,406	44.0	3,629	10.8

1939 an export excess was registered, though the rate of excess to import was only 4.5 per cent. During the war period, imports of wool depended solely upon the supply from Manchuria and China, and were less than 10 per cent of the pre-war level.

After the termination of hostilities, imports of Australian wool started from 1947, but the volume has been less than 70 per cent of the pre-war level. Although monthly average of imports for 1948 advanced 7.7 fold compared with the previous year, is was still extremely small when contrasted with the pre-war figure. The Japanese woollen and worsted industry was obliged to purchase wool from South Africa, Argentine, Uruguay, Great Britain, Netherlands, New Zealand, the United States, China.

In 1949, especially in the latter part of the year, imports of wool increased, but the monthly average was still only 11.5 per cent of the pre-war level. On the other hand, exports of woollen and worsted yarn, which were nil in 1946 and only about 5 per cent of the pre-war average in 1947 and 1948, recovered to 40 per cent in the first half of 1949. Exports of woollen and worsted tissues, which increased gradually until 1948, declined in 1949 due to the establishment of a single exchange rate, the devaluation of pound sterling, etc., the average for the first half of 1949 being 10.8 per cent of the pre-war level. It is worthy of note that worsted goods still occupied an overwhelming position, the ratio of worsted tissues being 76.1 per cent in 1946, 98.9 per cent in 1947 and 94.5 per cent in 1948. The principal markets for woollen and worsted goods were, as in the pre-war days, China, Hongkong, India, Korea, etc. until 1948. However, in view of the development of trade with the sterling area, and due to political unrest in China, the importance of Egypt advanced markedly in 1949.

THE RAYON INDUSTRY OF JAPAN

Japan is a "silk" country, and in olden times, young girls in the provinces reeled silk threads or filaments by hand from cocoons in pans of boiling water. Raw silk and "Habutae" were the major exports during the Meiji era (1868—1912). Even nowadays, raw silk is an important item of export from Japan. Just about the time of World War I, what was then called "imitation silk" first appeared in this "silk" country; this was artificial silk or rayon yarn.

Already in 1908, a Japanese was taking steps to industrialize this line. but it was not until May, 1916 that the first rayon factory was erected in Yonezawa, a north-eastern city of Honshu Island, by the Azuma Industry Company. The country then was suffering from keen shortage of textiles, prices of which were rising daily. Under such circumstances, the rayon industry made a successful start without difficulty. Meanwhile, the rayon works were separated from the mother company and the business was taken over by the Teikoku Rayon Company which was established in 1918.

However, their success was short-lived, for when the war terminated, conditions were reversed. Technical improvements in the manufacture of the yarn were made and favourable development in the fashion occurred to restore the industry to life in the home country, and good demands for rayon goods came from abroad. Morever, the import duty on foreign rayon yarn was increased to Y125 from Y87.9 per 100 Kin in 1926, which again made possible the resumption of the march of the industry. Taking advantage of this chance, three companies were established in 1926, viz. the Toyo Rayon Co., the Kurashiki Rayon Co. and the Nippon Rayon Co.

The Japanese cotton mill-owners, seeing the state of affairs, embarked immediately on rayon industry almost simultaneously. They had accumulated funds during the war and were waiting for some new promising enterprises. Among new investors were the following concerns:—The Nippon Rayon, the Kurashiki Rayon, the Nisshin Rayon (1933), the Kinkwa Rayon (1933), the Fukushima Rayon (1933), the Kishiwada Rayon (1934) and the Fuji Fibre (1935) Companies. Only the Kanegafuchi (1933) and the Izumo Spinning Companies (1934) established their own works.

The promotion of rayon companies chiefly took place in 1933. There was an important reason for that. The previous year was really the turning point of the world's economy. The delegates of the British Empire assembled in Ottawa, Canada, on and after the 21st July, 1932, and conferred on the Empire economic policy, deciding on an autarchy within their own boundaries. From that time disappeared from this earth the long-continued generally practiced free trade policy. The Japanese mill-owners, who were exporting a great part of their cotton products to the sterling areas, began to change their business policy. Their rushing to rayon was a manifestation of their new policy.

In the same year there happened a historical event: the "May 15 incident." Some prominent Japanese politicians were attacked by 18 military officers and Premier Inukai was killed by the assailants. Since that event, Japanese political power gradually passed into the hands of the army, and simultaneously autarchy swiftly spread. In those days the need of such fundamental change of economy was vaguely felt only by a few men; nevertheless, the idea of using staple fibre as substitute

for cotton and wool, which are both imported, caught the mill-owners' mind, and some of them began to undertake its production without delay. The first output was already seen in 1933.

This self-supplying economic tendency was spurred by the Japanese boycotting Australian wool in 1936 as a counter-measure against the Australian prohibitive import duties levied on Japanese cotton goods. Thereafter, combinations of all kinds of textile production seemed to become the mill-owners' ideal, and this principle of business was practically justified by the Sino-Japanese hostilities in 1937. Thus, chemical fibres could stand competition beside natural fibres being welcomed by the government; rayon was actually called "State policy fibre."

The production of rayon yarn reached its peak in 1937, recording 335,970,000 lbs. during the year, and that of staple fibre was at its summit the next year, amounting to 327,210,000 lbs. The total production figures for the year of 641,-110,000 lbs. of rayon yarn and staple fibre, occupied 28% of the whole world production. About 60% was exported in the shape of yarn, cloths and finished goods.

There are three methods of rayon production, the copper-ammonia method and the viscose method being now prominent, while the nitrofication method is no longer in practice. In Japan, the viscose method is prevailing, though the Bemberg system, (kind of copper-ammonia method) was transplanted in 1931 by the Japan Nitrogenous Fertilizer Company.

For a long time, Viscose rayon yarn of 120 denier or thereabout was popular in the domestic markets. From the year 1935 multi-filament began to increase. At the same time, special kinds, such as lustrous yarn, lusterless yarn, super-lusterless yarn, capillary yarn, etc. were produced increasingly. On the other hand, doubled yarn gradually superseded the single yarn. Varieties, high quality and cheap prices had steadily improved demand for rayon until the Sino-Japanese war hindered export. It was the same with staple fibre.

As soon as the pacific war began, restrictions on the rayon industry were tightened concerning labour and materials. Moreover, machinery was scrapped one after another and the remainder was later subjected to bombing from the air. The rayon productive capacity, which had once gone up to 598.4 tons of filament and 768.5 tons of staple, decreased to 43 tons and 163 tons per day respectively, the latter figures being based on the operable capacity at the war.

Post-War Conditions

Soon after the country was occupied, this war-damaged industry began to rebuild. But much improvement was not realized until in October 1946, when a three years recovery program actively started. The program was drafted by SCAP and its target was as follow;

(Unit: million pounds)

	rayon yarn	staple fibre	total
1st year	30	35	65
2nd "	70	75	145
3rd "	120	130	250

To carry out the program, factors governing production had to be well-matched. But the exhaustion of stocks of pulp and soda and the shortage of electric power held down the operation of the industry and some of the works were compelled to close. In the following spring, however, production turned upward and a new recovery target of 150 thousand tons (336,000,000 lbs.) a year directed as desirable by the G.H.Q. (April 9, 1937) gave a further impetus to the industry. Moreover, the summer brought the encouraging news that foreign trade would be reopened as from August 15. Thus, all circumstances surrounding the industry again became bright, with the result that the amount of rayon production during the year 1948 reached the total of 70,987,938 lbs., comprised of 35,721,063 lbs. of filament rayon and 35,266,875 lbs. of cut staple, which figures are double the previous year's production. Moreover, quality improvement accompanied quantity improvement, and as exportation increased, greater demands for goods of higher grade developed, and of rayon yarns, multi-lusterless of 75 and 100 denier, superlusterless of 120 and 150 denier, Bemberg lusterless of 75 and 100 denier, etc. conspicuously increased in production.

The first world war developed rayon. Likewise the second World War fostered the production of synthetic fibre. The former is chemically treated cellulose, while the latter is a pure chemical substance. In Japan, experimental products of synthetic fibre already appeared before the last war. Among them were found "Kanevyan" (produced by the Kanegafuchi Spinning Co.) and "Amilan" (by the Toyo Rayon Co.). In 1940, the Japan Research Institute for Synthetic Fibres was established, being supported by the government and industrialists, but it closed without bearing fruit at the outbreak of the pacific war.

The post-war improvement of synthetic fibres is so noteworthy that some say that chemical fibres are going to take the place of natural fibres. The Japanese government therefore drafted a plan for the synthetic fibre industry, in connection with the Japanese 5 year economic program; a "Vinylon" works of the Kurashiki Rayon Co. and an "Amilan" works of the Toyo Rayon Co. were initially chosen to be erected on an industrially and commercially economical scale. ("Vinylon" is a kind of polyvinyl synthetic fibre like "Vinylon" and "Amilan," a kind of polyamid synthetic fibre similar to "Nylon").

Regarding the future prospects of the industry: (1) Japanese have dexterity in textile operation (2) The raw silk export, which occupied some 15% of the whole Japanese export trade in pre-war times, now marks time. Other textile export should be inevitably encouraged. The rayon and cotton industries are both good earners of foreign currency (3) There is so far no competition from other Asian countries where rayon goods are consumed in large quantities. This is one of the strongest points in favour of Japanese synthetic fibre industry. (4) The Japanese rayon industry possessed superior technical experiences in the past. (5) The industry is preparing for the coming age of synthetic fibres.

Japan's Organic Chemicals and Related Products

Organic chemicals:—The Japanese coal-tar chemical industry experienced a very large expansion in the 1930-40 period when output of coal tar increased 264 percent; benzene, 428 percent; toluene, 610 percent; and naphthalene, 1,272 percent. Peak production of these commodities, made at 15 plants, was reached in 1942 and 1943, but output declined to less than the 1930 level in 1946, owing to war damage and shortage of coal. By June 1949, benzene output was 42 percent of maximum annual production; toluene, 27 percent; xylene, 97 percent; coal tar, 43 percent; creosote oil, 36 percent; crude phenol, 42 percent; and naphthalene, 51 percent.

Manufacture of coal-tar intermediates was inaugurated during the early thirties, acetanalide, aniline, chlorobenzene, synthetic phenol, and salicylic acid first being reported in 1931, o- and p- toluidene in 1934, and beta-naphthol in 1935. Maximum and 1946 output of intermediates followed a pattern similar to that of the crudes. In January-June 1949, production of beta-naphthol, salicylic acid, and p-toluidene surpassed previous high rates for these chemicals, and o-toluidene was rapidly reaching that point.

A relatively few non-coal-tar chemicals were of significance to Japanese industry in 1930 and included such basic chemicals as acetic acid, ethyl alcohol and acetate, formaldehyde, and glycerin. Acetic anhydride, butanol, butyl acetate, and methanol production was started before 1935. Natural camphor was an internationally important product, used principally as a plasticizer for celluloid, until it was replaced to a large extent by the synthetic variety. Production and consumption of natural camphor in Japan in the first 6 months of 1949 were on a comparatively large scale as celluloid is one of the chief plastics materials made.

Coal-tar-dyes:—Japan's dye industry has shown a gradual but steady improvement since the end of the war. At the peak of production, in 1939, 28,800 metric tons were made: the low was in 1946 and represented only 6 percent of 1939 production. Output then climbed to 18.5 percent in 1948 and to 27.5 percent in the first 6 months of 1949.

During the 1935-41 period sulfur dyes accounted for 59.1 percent of total production, but in the first 6 months of 1949 they represented only 47.3 percent of the total. Between these periods, 1935-41 and January-June 1949, production of direct dyes increased from

17.7 to 23.8 percent ; acid colors from 3.3 to 5.3 percent ; and naphthol and other colours (except basic, mordant, and acid-mordant, sulfur, and vat colours, which showed very little change) from 4.5 to 9.1 percent.

In March 1949, 51 plants of 46 companies produced 103 different dyes, compared with 88 dyes manufactured in 27 plants of 19 companies in March 1948. Contracts were signed in July 1949 for the first exports of dyes from Japan since the beginning of the occupation. During the 1937-39 period, Japan's exports of dyes increased from 7,410 metric tons to 14,460.

Plastics materials: — The principal plastics molding materials now used are phenolic, urea, and methyl-methacrylate resins. The molding industry is operating on a small scale, using outdated German machinery. A few molding machines, ordered from the United States, are expected soon and at first will be used experimentally. The Economic Stabilization Board of the Japanese Government plans to increase phenolic molding capacity by five times and to double urea molding capacity within the next 5 years. The 1949 production rate for urea resins was 70 percent, and for phenolics, 41 percent, of the peaks reached in 1944 (248 tons of urea resins and 887 tons phenolic resins).

Production of 2,192 tons of new celluloid plus 647 tons of reclaimed material in January-June 1949 was substantially lower than the total of 12,768 tons in 1937. Cellulose acetate output amounted to 117 metric tons in 1948, compared with 254 tons in 1941. In May 1949, 10 cellulose nitrate plants and 2 cellulose acetate plants were operating, compared with 13 and 4, respectively, before the war.

Paints: — Output of the Japanese paint industry traced a steady pattern of increase from 1930 to 1939. Monthly averages show production increasing to a maximum of 9,912 tons in 1939, a figure almost three times the 3,500 tons manufactured in 1930. From 1939 production declined somewhat to reach a low of 981 tons in 1945. Postwar output has been nominal, partly because of the necessity for reestablishing facilities and markets, but, in large measure, owing to a shortage of raw materials. Evidently the problem of obtaining tung oil from China has reached some solution because January-June 1949 paint production averaged 21 percent of the 1939 rate of output. As the industry becomes reestablished it is anticipated that output will increase apace ; however, the total forecast must be conditioned on what share of prewar markets the Japanese can recapture.

Explosives:—Although production of industrial explosives experienced a decided setback at the close of the war and that of military explosives came to an abrupt halt, recent months have seen an increase in the production of industrial explosives and explosive products, indicating that for peaceful purposes the manufacture of explosives in Japan is reviving.

Between 1932 and 1944, production of military explosives increased 1,891 percent, with a 637-percent increase occurring within 3 years—1936-38.

The combined output of industrial explosives attained its peak in 1942. Production of gelatin dynamite in 1940 increased 323 percent over the 1932 level. Output of ammonium dynamite and ammonium nitrate explosives reached high points in 1943, with increases of 425 percent and 852 percent over 1932. Manufacture of fuses and detonators surpassed 1932 figures by 306 percent in 1939 and by 347 percent in 1941.

Fuses and detonators reached a postwar low in 1947, and industrial explosives in 1945. From these low points, monthly averages for January-June 1949 showed an increase of 416 percent for gelatin dynamite: 100 percent for ammonium dynamite: 23 percent for ammonium nitrate explosives; and 163 percent and 96 percent, respectively, for fuses and detonators.

Japanese Commercial, Financial & Industrial Statistics

FINANCE AND BANKING

(IN MILLION YEN)

	Treasury account		Govt. debt		Net excess of Govt. payment over receipts	Bank of Japan					
	Revenue	Expenditure	Govt. bonds	Short term securities		Bank-notes issued	Govt. deposits	Other deposits	Loans	Advances to Govt.	Govt. bonds and debentures
1941	47,131	45,739	37,322	871	7,769	5,934	864	494	647	—	5,711
1948 Dec. ...	154,605	204,372	240,845	171,490	70,676	355,280	14,002	22,660	51,901	83,509	247,717
1949 Nov. ..	164,392	172,067	288,703	131,610	17,224	303,822	20,266	20,114	98,415	95,793	145,135
1950 Jan. ...	—	—	—	—	—	320,397	14,512	18,216	88,493	87,255	176,235

	All banks		Eleven big banks		Trust companies	Central Bank of Agriculture and Forestry		Agriculture credit cooperative		Deposit Bureau	
	Deposits	Advances	Deposits	Advances	Money in trust	Advances	Deposits	Advances	Deposits	Advances	Postal savings	Govt. bonds holdings
1949 Dec.	792,018	679,052	470,434	391,431	10,717	9,639	28,219	22,462	185,318	51,276	110,728	64,671

Eleven big banks are Chiyoda, Teikoku, Daiichi, Fuji, Osaka, Sanwa, Daiwa, Tokai, Kobe, Tokyo and Kyowa.

FOREIGN TRADE BY COMMODITIES IN 1949

Exports

Articles	Jan.-Dec. 1949 Volume	Value	Increase or decrease (—) compared with 1948 Volume	Value
	1,000 Sq. M.	million yen		million yen
Textiles				
Cotton tissues	623,733	47,591	270,731	36,495
Silk tissues	33,236	5,604	2,921	1,893
Chemical fibre tissues	28,227	3,566	20,442	3,219
Raw silk	1,899	6,491	— 3,026	— 1,790
Cotton yarn	10,466	4,811	4,797	4,138
Rolling stock, shipping & parts		5,587		4,176
Machinery & parts		4,470		2,395
Potteries & earthen goods		6,496		3,807
Glass & glass products		2,298		1,430
Coal	741,697	2,692	—364,985	— 147
Cement	460,962	2,483	318,462	1,872
Toys	6,743	3,613		2,420
Aquatic products	7,527	2,111	— 4,207	432
Tea	7,297	2,012	3,267	1,275
Timber		1,187		780
Total (incl. others)		168,844		166,822

Imports

Articles	Jan.-Dec. 1949 Volume	Value	Increase or decrease (—) compared with 1948 Volume	Value
	metric tons	million yen	metric tons	million yen
Foods				
Cereals	2,582,847	77,593	1,600,809	66,664
Beans & peas	243,715	10,574	—722,248	9,456
Flour and starch	144,755	3,420	—274,672	— 2,082
Sugar	300,912	8,615	—306,965	727
Salt	1,651,783	8,172	497,430	6,459
Chemical fertilizer	271,266	6,786	— 18,761	4,164
Pulp	47,036	2,184	23,434	1,603
Raw cotton	194,308	43,797	85,629	39,071
Hemp	29,991	3,064	8,958	2,342
Wool	15,904	7,120	6,293	5,970
Rubber	43,173	4,612	17,469	3,970
Phosphorite	316,291	1,872	— 97,154	1,004
Iron ore	1,585,437	7,754	1,071,187	6,928
Other ore	121,466	2,123	13,733	1,607
Coal and cokes	1,914,149	13,199	910,840	9,237
	kl.		kl.	
Mineral oil	1,949,410	19,887	614,204	10,596
Total (incl. others)		274,198		213,911

INDUSTRIAL PRODUCTION

	Index of production (1933—35 = 100)			Mining		Crude oil refined	Electric Power & Gas			Metals	
	General	Mining	Manufacturing industry	Coal 1,000	Iron ore		Hydro power million	Thermal power million	Gas 1,000	Pig iron	Rolled steel
				metric t.	metric t.	kl.	kwh	kwh	cub. m.	metric t.	metric t.
1948	57.5	100.0	52.5	33,726	555,614	178,515	31,727.7	3,407.7	758,135	662,628	1,027,396
1949 Dec.	87.7	116.7	84.5	3,325	68,197	20,915	2,839.8	426.3	97,268	145,655	232,393

	Special rolled steel	Metals				Machinery				
		Gold	Silver	Lead	Zinc	Elec. wire & cable	Electric copper	Galvanized sheets	Int. comb. engines	Motors	Universal transformers
	metric t.	kg	kg	metric t.	metric t.	metric t.	metric t.	metric t.	H.P.	H.P.	K.V.A.
1948	85,456	3,035	93,608	10,260	21,180	65,856	54,334	37,747	228,184	1,248,608	2,156,291
1949 Dec ...	5,901	357	10,436	1,102	3,305	4,098	6,454	23,198	21,870	124,741	249,952

	Elect. bulbs	Radio sets	Vacuum tubes	Trucks	Bicycles	Watches & clocks	Machine tools	Soda ash	Chemicals Caustic soda	Sulphuric acid	Carbide
	1,000	no.	1,000	no.	no.	pieces	metric t.	metric t.	metric t.	metric t.	metric t.
1948	122,982	774,218	12,159	15,806	336,727	2,408,543	4,690	75,115	108,123	1,949,817	337,597
1949 Dec. ...	7,104	51,664	999	1,323	73,803	213,136	254	12,465	12,076	245,330	33,042

	Coke	Coal-tar	Dyes	Chemicals-cont. Sulphate of ammonia	Calcium cyanamide	Superphosphate of lime	Soap	Machine oil	Bicycle tires & tubes	Auto tires & tubes	Paints
	metric t.	metric t.	metric t.	metric t.	metric t.	metric t.	metric t.	kl.	1,000 pcs.	pieces	metric t.
1948	2,912,292	174,177	5,376	931,654	246,337	991,982	13,977	40,277	7,550	1,083,543	15,415
1948 Dec. ...	359	25,329	439	115,462	34,666	92,469	3,504	4,987	791	126,423	4,312

	Chemicals-cont.							Ceramics	Textiles		
	Newsprint	Paper	Rayon pulp	Paper pulp	Leather	Matches	Porcelain & earthen ware	Cement	Sheet glass	Raw silk	Cotton yarn
	1,000 lbs	1,000 lbs	long t.	long t.	metric t.	metric t.	t.	metric t.	case	1,000 lbs.	1,000 lbs
1948	223,606	324,184	32,835	370,228	3,812	236,219	301,736	1,841,100	1,695,700	17,599	274,792
1949 Dec. ...	21,328	56,159	5,216	43,734	452	15,009	24,333	259,627	313,050	1,729	34,155

	Textiles-cont.										
	Woollen yarn	Rayon filament yarn	Spun rayon yarn	Silk yarn	Hemp yarn	Cotton tissues	Woollen tissues	Rayon tissues	Silk tissues	Rayon staple tissues	Hemp tissues
	1,000 lbs	1,000 lbs	1,000 lbs	1,000 lbs	1,000 lbs	sq. yds	sq. yds	sq. yds	sq yds	sq yds	sq yds
1948	24,317	35,718	24,907	8,260	25,556	923,470	25,386	36,382	118,594	49,277	22,860
1949 Dec. ..	3,985	6,580	4,850	555	3,427	99,053	3,807	15,223	11,641	8,234	3,687

Britain's Sterling Balances and Their Impact on World Trade

By Eugene J. Kaplan

Sterling Balances, or sterling liabilities as they are designated in the United Kingdom annual balance-of-payments statements, form the largest portion of the United Kingdom's huge external debt.

Sterling Balances are not a new phenomenon. They existed long before World War II. Such balances were then an indication of the strength and influence of the pound sterling in world trade and international finance. London, still one of the major financial and trading centers, served as banker and broker for a large area of the world. London for a long time provided almost the only facilities available for financing the foreign trade of other sterling-area countries, and, to this day, adequate facilities have not been developed within the boundaries of many of these countries. A great deal of these balances, therefore, represented liabilities in the same sense that funds deposited in any bank are classified among its liabilities. There was accumulated in the Bank of England and the London banking system a variety of trading and working capital accounts of trading firms not only within the sterling area but in many other countries that carried on a large volume of their trade in sterling. Funds held in the oversea and colonial branches of London banks by individuals and firms not resident in the United Kingdom were also counted in these balances. Even the central banks of the independent sterling-area countries and of other countries whose trade was closely allied to the pound carried large working balances in the Bank of England. The other major component of these balances was the long-term British Government securities which form the whole or a large part of the reserves backing the currencies of the sterling-area countries as well as of many other countries in the Near East and in Latin America.

These balances were therefore accumulated, for the most part, voluntarily and could be drawn upon readily. The degree of liquidity of these balances was limited only by working capital and currency backing requirements. Most of the funds in these balances were not idle but were invested in either short-or-long-term British Government interest-bearing securities.

Thus it was that at the outbreak of World War II the United Kingdom's external liabilities totaled £476,000,000, of which about £250,000,000 to £300,000,000 were the sterling balances held by other countries in the sterling area. The Indian balances, with the Reserve Bank of India holding some £55,000,000 in London funds aside from any holdings of commercial banks, and those held by the Union of South Africa and Australia represented the largest prewar holdings.

Sterling Balances during the War

The financing of World War II presented special problems to the United Kingdom because of that country's dependence on outside sources of supply. Britain's war effort meant two things in this connection. For one thing, it meant that less of the domestic production was available for export—these exports were further limited by the availability of shipping space for non-military transport. The waging of the war also increased the United Kingdom's dependence on the Western Hemisphere for many imports once alternatively available in other areas of the world. It also made some of the countries in the rest of the sterling area turn to the United States and Canada for products formerly supplied by the United Kingdom. These distortions of the pattern of Britain's prewar trade—that is, changes in the volume and direction of both exports and imports, which, by the way, still prevail to a considerable extent—made the United Kingdom pile up import surpluses on credit. Sterling balances held by Argentina, Brazil, Uruguay, Ireland, and the African colonies are due mainly to the United Kingdom's inability to supply enough exports to match the imports from those countries during the war.

Despite extensive aid by both the United States and Canada, the United Kingdom was forced to draw heavily upon its gold and dollar resources and even to liquidate a considerable amount of its dollar investments in order to finance sterling-area imports from these two countries. As part of their war effort, the countries in the sterling area agreed with the British Government to sell to the United Kingdom for sterling any dollars which came into their possession as the result of American military expenditures in their areas or any other type of transactions. This is the arrangement that is frequently referred to as the "sterling-area dollar pool." The operations of the dollar pool thus contributed to the accumulation of sterling. Much of the Australian sterling balances, for example, represents dollars spent by American forces in Australia, which were sold for sterling to the dollar pool.

Another, perhaps the major, portion of the increase in sterling balances can be related even more directly to the war. Expenditures incurred during military operations of British and Allied forces in the Near East and in Southeast Asia account for the tremendous increase in the sterling balances held by Egypt, Iraq, India, Pakistan, and Burma. Under the terms of an agreement made in November 1939, British war expenditures in India included the full cost of all Indian troops, except for one division, serving outside of India. "Full cost" in this agreement meant the cost of raising, training, and equipping the troops, and of installations built, and munitions and military supplies produced for them in India. The balances held by Greece, the Netherlands, and Norway were in large measure the result of compensation made by British insurance companies for ships sunk by enemy action while in Allied service.

The United Kingdom was forced to borrow more than £5,000,000,000 from other countries in order to finance the war. About 60 percent of this increase in the external debt was in the form of accumulated sterling balances. By the end of the war, the United Kingdom's external sterling liabilities had increased by about £3,000,000,000 to a total of £3,335,000,000, as of June 30, 1945. Four-fifths of these balances were held by sterling-area countries—more than 40 percent of this amount by India. The British colonies, Egypt, Ireland, and Australia, in that order, were other major creditors.

Official figures showing the distribution of the sterling balances by country have not been released by the British Treasury. Estimates of individual country holdings of sterling balances as of June 30, 1945, were issued in a report of the U.S. House Special Committee on Postwar Economic Policy and Planning, the Colmer Committee. These are reproduced in table 1.

Restrictions on the Use of the Balances

The sterling balances became an important issue immediately after the war. The Anglo-American Financial Agreement under which the United States Government extended to the Government of the United Kingdom a line of credit of $3,750,000,000 was signed in December 1945. The problem of the accumulated sterling balances played a key role in negotiations lead-

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World trade is focusing its attention on the fluctuating relationship of the two principal currencies, US$ and £, and capital in all countries follows closely the ups and downs of the free market rate in New York and of international crossrates. The recent strength of area account sterling on free markets has aroused new speculation about the possibility of a rise in the official London/New York quotation of US$2.80. The future of this rate and of free market crossrates is a matter of vital interest for investors, traders and the host of brokers who make a living by catering to the needs of the international business community.

In the following discussion on the problem of Britain's sterling balances—a problem which involves economic, social and political factors—the author, Eugene J. Kaplan, of the British Commonwealth Branch, Areas Division, Office of International Trade, U.S. Dept. of Commerce, first describes the origin of sterling balances, and then sets forth some of the principal issues in current appraisals of the effects of the balances, issues that must be considered in any program to restore free, multilateral trade. The manner in which the problem of the disposal of sterling balances will be tackled will, to a great deal, affect the official and free market sterling/dollar crossrates. (ED.)

Table 1.—*Net Sterling Balances, by Country, as of June 30, 1945*

(£ million)

Country	Amount
Dominions:	
Australia	117
New Zealand	63
South Africa	33
Ireland	178
Total	391
Other major sterling-area countries:	
Iceland	17
Burma	11
India	1,108
Egypt and Anglo-Egyptian Sudan	396
Iraq	70
Total	1,602
British colonies, mandates, etc.:	
Palestine	115
Ceylon	61
Hongkong	33
Malaya	84
East African colonies	81
West African colonies	91
Other British African colonies	37
Trinidad	19
Other British West Indies and Bermuda	40
Other colonies	86
Total	647
Total sterling area	2,640
Liberated areas of Europe	
France	40
Belgium	37
Greece	55
Netherlands	68
Norway	90
Others	12
Total	302
European neutrals:	
Portugal	78
Others	29
Total	107
South America:	
Argentina	85
Brazil	36
Uruguay	14
Others	5
Total	140
Rest of world:	
Iran	22
China	23
Siam	13
Others	6
Total	64
Total non-sterling area	613
Grand total	3,253

The French balances will be wiped out by the settlement of the United Kingdom loan to France.

ing up to the agreement. It was generally recognized that this tremendous burden of external debt might necessitate the continuance for an indefinite period of the complex system of controls over sterling trade and exchange operations introduced during the war. There was some concern, too, about the drain on the United Kingdom's resources by the potential sterling purchasing power of these balances, and the drain on the proceeds of the American loan due to conversions of part of these balances into dollars through the operations of the "dollar pool." Therefore, it was decided to take steps to place the balances under control. Provision was negotiated into the agreement for the "early settlement" of the sterling balances according to a specified pattern. The Government of the United Kingdom undertook to seek agreements with the countries concerned for dividing accumulated balances into three categories: (a) Balances to be released and convertible into any currency for current transactions, (b) balances to be similarly released by instances over a period of years beginning in 1951, and (c) balances to be adjusted—that is, written off by counterclaims of the United Kingdom.

The negotiators of the Anglo-American Financial Agreement looked forward to an early return to multilateral world trade through the removal of restrictions on the movement and convertibility of sterling imposed at the outbreak of World War II. One section of the agreement specifically provided that the United Kingdom would make arrangements to restore the convertibility of the pound sterling by mid-1947. The British Government did initiate a period of convertibility in July 1947, but this effort had to be abandoned after a short time because it resulted in a heavy drain on the sterling area's gold and dollar resources. The British Government's decision to make sterling earned on current transactions convertible into dollars, however, lent emphasis to the need for segregating currently acquired sterling balances from wartime accumulations.

Prior to the convertibility experiment, financial agreements were concluded with Argentina, Brazil, Egypt, India, Iraq, Pakistan, and Uruguay which provided among other things for the setting up of two separate accounts at the Bank of England in the name of the central bank of the country concerned. The Number 1 Account was to be credited with all sterling earned after the date of the agreement, while a Number 2 Account was set up to hold previously accumulated sterling. That funds in the Number 2 Account were to be blocked from current use except as releases from these accounts to the Number 1 Account for current use were provided for in the agreement. One agreement—that signed with Argentina on September 1946—provided for funding £130,000,000 of the Argentine balance at a rate of interest of ½ of 1 percent. No measures, however, were taken to write down any of the outstanding balances.

In addition to these formal agreements, understandings were arrived at for the voluntary blocking of outstanding balances held by Australia, New Zealand, the Union of South Africa, and the colonies. In all, it is estimated that approximately half of the total balances of £3,560,000,000 outstanding on June 30, 1947, were placed under control.

Shifts in the Distribution of the Balances

Total sterling balances have declined by nearly £500,000,000 since they reached their highest point in 1946. The amount of the sterling balances held by sterling-area and non-sterling-area countries just before World War II and at various dates in the postwar period is shown in table 2. The amount outstanding on December 31, 1948, was £3,359,000,000, or approximately the same as on June 30, 1945.

What has happened in this interval and through the first three-quarters of 1949, though, is a marked shift in the distribution of these balances among the different creditor nations. On the one hand, accumulated balances held by Argentina and Brazil have been reduced through the sale of British-owned railways in those countries. The sterling balances of Egypt, India, Pakistan, and Ceylon have been reduced through periodic releases from the blocked balances negotiated by the United Kingdom from time to time. At the same time, the sterling balances of some of the other sterling-area countries, notably Australia and British West Africa, have continued to grow. Australia and New Zealand have written off about £40,000,000 of their sterling balances in the form of gifts to the United Kingdom since the end of the war. One way of describing this trend is to say that there has been a transfer of some of the United Kingdom's liabilities from those creditor nations which might be expected successfully to exert pressure for further releases from the balances to those which can be expected to cooperate with British efforts to keep these funds under control.

Table 2.—*External Sterling Liabilities of the United Kingdom, 1939, 1945-1949*

(£ million)

Date	Sterling-area countries	Non-sterling-area countries	Total
September 1939	250	226	476
June 30, 1945	2,207	1,148	3,355
December 31, 1945	2,453	1,210	3,663
December 31, 1946	2,417	1,283	3,700
December 31, 1947	2,288	1,284	3,572
June 30, 1948	2,408	1,144	3,552
December 31, 1948	2,322	1,037	3,359
June 30, 1949	2,224	1,009	3,233

Egypt and Anglo-Egyptian Sudan, which left the sterling area in 1947, and Isreal and Hashemite Jordan, which left the sterling area in 1948, are included in the non-sterling area for the whole period.

Components of Changes in the Sterling Balances

In table 3 an attempt has been made to piece together from the figures given in the United Kingdom balance of payments on capital account the major components of changes in the sterling balances held by sterling-area countries in 1946, 1947, 1948, and the first half of 1949. Except for 1946 when the United Kingdom ran a current deficit with the rest of the sterling area, the sterling-area countries as a group have drawn heavily upon the sterling balances during this period to finance their trade and payments with the United Kingdom. The balances have been reduced further by the rest of the sterling area's net drawings of dollars from the central foreign-exchange reserves of the sterling area.

Such drawings were especially heavy in 1947 during the brief period of convertibility. Australia and New Zealand

have liquidated a portion of their balances by gifts to the United Kingdom in 1947 and the first half of 1949. Reductions in the balances have been offset by a net flow of capital from the United Kingdom to the rest of the sterling area in each of these periods except 1946. These capital movements were particularly large in 1947 and in 1948, the latter having been a year in which there was a net increase in the sterling balances held by the sterling-area countries. The item "other transactions" is derived as a residual, figures for the net change in sterling balances and for the four other major elements of the change being given. A large portion of "other transactions" probably consists of the balance of sterling transfers between the rest of the sterling area and countries outside of the sterling area and the dollar area—mainly Marshall-plan countries—which may arise out of the operations of the central foreign-exchange reserves of the sterling area.

Under this sytem, the non-sterling proceeds of sterling-area exports to countries outside the sterling area are sold to the United Kingdom for sterling. Non-sterling currencies are in turn purchased with sterling from the central reserves when required to pay for imports of goods and services from non-sterling-area countries. A favorable balance of payments would thus mean that the rest of the sterling area has sold more non-sterling-area currencies than it has purchased from the central reserves and would therefore result in a sterling credit on the United Kingdom in favor of the rest of the sterling area. These credits would serve to increase the sterling balances held by the sterling-area countries. On the other hand, a deficit on trade and payments between the two areas would be financed by drawing down the sterling balances. On the basis of such data as are available, the rest of the sterling area evidently had a favorable balance of payments with the OEEC (Organization for European Economic Cooperation) countries in 1948 and the first half of 1949.

Table 3.—*Changes in Sterling Balances Held by Sterling-Area Countries, 1946—1949*

(£ million)

Item	1946	1947	1948	First half 1949
Sterling balance at beginning of period	2,453	2,417	2,288	2,322
Increase (-|-) or decrease (—) in balances due to:				
United Kingdom current deficit or surplus with rest of sterling area	-|-40	—55	—210	—115
Releases for conversion into dollars	—17	—203	—26	—43
Gifts from Australia and New Zealand	..	—30	..	—8
Capital movements between United Kingdom & rest of sterling area ...	—42	-|-221	-|-188	-|-47
Other transactions 1	—17	—62	-|-82	-|-21
Net change in sterling balances ..	—36	—129	-|-34	—98
Sterling balances at end of period ..	2,417	2,288	2,322	2,224

1 Residual—mainly transfers of sterling between rest of sterling area and countries outside the sterling area and the dollar area.

One of the reasons why the rest of the sterling area had an export surplus with the OEEC countries during this period may be the sizable sterling drawing rights made available by the United Kingdom under the Intra-European Payments Plan. In any case, the shift of this item from a factor acting to decrease the sterlinng balances to one which increases the balances was most significant in 1948.

Besides financial agreements made by the United Kingdom with countries holding sterling balances restricting the current use of part of the total balances, their liquidity is determined by the same factors as before World War II. A portion of these balances cannot be readily drawn upon because they serve as working balances and currency backing for the nations involved. As the balances have grown, the rise in prices and in the volume of trade have required increased working capital. Increased trade plus general inflationary pressures throughout the world have brought about an expansion of currency issues and necessitated more reserve backing. Thus, a substantial proportion of the balances will probably continue to be held as reserves by the countries concerned. The remainder, however, still represents a formidable claim on the United Kingdom's production of goods and services.

Impact of the Sterling Balances upon World Trade

The major portion of Britain's external debt, the sterling balances—once an indication of the power and influence of the pound sterling in the world trading and financial community—have become a severe burden to the United Kingdom. This change has had serious and important consequences on the course of the economic recovery of the United Kingdom and of international trade.

There are many facets to this problem but two issues stand out in this connection. The first is the effect of British policy with respect to releases from the blocked accounts. A considerable portion of these releases have been used to pay for United Kingdom exports which might otherwise have been matched by imports—these are the so-called unrequited exports. On the other hand, the amounts remaining in the blocked accounts are believed to constitute a barrier to the goal of convertibility of the pound sterling and the attainment of a rate of exchange for the pound which will enable the United Kingdom to finance its own way in international trade.

The joint communique published at the end of the recnt Tripartite Financial Discussions pointed out that "to the extent that the balances are liquidated, some proportion of the United Kingdom production of goods and services is used to discharge this liability instead of to pay for current imports of goods and services."

Although the total of the sterling balances as of the end of 1948 was the same as at mid-1945, the United Kingdom has made a considerable effort to pay off a portion of these war debts. Sterling releases from restricted to current accounts made in accordance with formal agreements with Argentina, Brazil, Ceylon, Egypt, India, Iraq, Pakistan, Uruguay, and Israel from the beginning of 1946 through the first three quarters of 1949 totaled nearly £635,000,000, and were distributed over the period as follows:

	(£ million)
1946	5
1947	156½
1948	*1* 267
1949 (first three-quarters)	206

1 These figures take no account of the payments to India and Pakistan for the purchase of annuities from H. M. Government and for defense stores, but include sums paid in connection with the purchase of British-owned railways in Argentina.

The total amount of releases is, of course, no absolute measure of the amount of "unrequited exports" during this period, because other factors such as investment, capital transfers, and other complex transactions involving the balance of payments on capital account must be considered. It does, however, indicate why "unrequited exports" have become such an important issue in both the House of Commons and in the British financial and commercial press.

Those observers and official spokesmen who support the Government's policy with respect to these releases point out the great contribution of these funds to the future of world peace and international trade.

One of the most popular arguments advanced is the support that these funds have given to the maintenance of political stability in southern and southeastern Asia. A London newspaper which defends the Government's policies in this regard has put it this way, "Only in India, Pakistan, and Southeast Asia is the ideological and political struggle still undecided. Here live more than 500,000,000 people who have just attained national independence. Their new governments, struggling with poverty and backwardness, are under Communist pressure from without and within. They receive little economic support from the older and stronger democracies."

Other observers hold that the economic assistance which the United Kingdom is at present furnishing to underdeveloped areas will eventually produce new export markets not only for the United Kingdom but for other countries including the United States as well. They also take the line that capital goods sent to various parts of the sterling area may enable these countries to increase their production of the sort of goods that may be sold for dollars and therefore used by the sterling area to pay more of its own way in trade with the United States and Canada. In this regard, such exports, they point out, have a dollar-

saving as well as a dollar-earning aspect, because they make it possible for those sterling-area countries to obtain for sterling goods that might otherwise have to be purchased from dollar countries with dollars drawn from the central foregn-exchange reserves of the sterling area.

Still others advance humanitarian reasons for turning a portion of the balances held by some countries into funds that can be used to alleviate hunger, famine, and extreme poverty in those areas.

On the other side, critics of the policy have argued that one reason why the British Government has been so generous in releasing funds from tne sterling balances is to maintain well-established export makets for British manufactures.

They say that this goal has been achieved at the expense of a relatively high cost structure in United Kingdom manufacturing industries. The fact that these high costs can be and are met with high prices in the sterling area, they say, has greatly hampered the Government's drive to promote dollar exports. On the one hand, according to these critics, it has priced some British goods out of important dollar or other hard-currency markets. A corollary and even more serious consequence, they claim, has been that it has dampened the incentive, or the necessity, for British producers and exporters to enter into the dollar markets.

It is dangerous, they also say, for the Government to keep on putting additional sterling exchange into circulation when all other countries taken as a group already hold more free sterling than can be absorbed by even the high current rate of British exports. This supply of sterling available for "cheap sterling" transactions and other forms of currency manipulation. Much of it, they predict, will be sold at a discount in order to obtain the means for buying "essential goods" elsewhere and this will increase the dollar loss to the sterling-area reserves through the transit trade.

Besides these factors, critics have pointed to the effect of this policy on the British consumer. They have attempted to show how the demand for goods and resources generated by "unrequited exports" has deprived the home market of much-needed commodities and has otherwise intensified inflationary pressures.

The Government's policy with respect to releases from the sterling balances is currently under review and has been the subject of vigorous debate in the House of Commons. The Chancellor of the Exchequer has stated several times that the rate of releases from the sterling balances would have to be cut down, and such reductions are among the economy measures announced last October. The Foreign and Finance Ministers of India and Ceylon have, on the other hand, just as repeatedly denied that such changes would be made.

Sterling Balances and Sterling Convertibility

One of the major objectives of the foreign economic policy of the United States Government is to work out conditions under which world trade can develop steadily and in increasing freedom from the elaborate network of restrictions and controls that have made the ordinary business of international trade so extraordinarily difficult and complicated. An important prerequisite to achieving this goal is the free movement of currencies of the world's major trading nationals and the ability to convert any one of these currencies into those of another country.

The international movement of few other currencies is as strictly regulated as that of the pound sterling. The British exchange-control system has been highly developed, though perhaps not sufficiently to prevent substantial leakages and evasions from time to time. A series of dollar crises since the end of the war have induced the British to maintain and to strength their exchange controls. This system, however, was modified for a brief period of 6 weeks or so starting on July 15, 1947, to allow the United Kingdom to meet its commitment under section 7 of the Anglo-American Loan Agreement to make currently acquired sterling freely available for current transactions in any part of the world. By July 15, 1947, the Government of the United Kingdom had completed arrangements providing for the transferability and convertibility into dollars of sterling currently acquired by residents of most of the world's largest trading countries. Despite the elaborate precautions taken in making these arrangements, the volume of sterling converted in these few weeks quickly depleted the more than half of the proceeds of the American loan remaining at that time and resulted in an alarming increase in the drain on the sterling-area gold and dollar reserves. As provided for in the agreement, the United Kingdom asked for a reconsideration of the convertibility clause, and on August 20, 1947, following an exchange of letters between the British Chancellor of the Exchequer and the United States Secretary of the Treasury, the United Kingdom suspended the automatic convertibility into dollars of pounds sterling held by a large number of other countries.

Some authorities believe that the role of the convertibility experiment in the rapid exhaustion of the American credit has been overemphasized. It is held that the proceeds of the American loan would have been expended at a rapid rate even if convertibility had not been restored, inasmuch as the dollar needs of the United Kingdom itself were great and sufficient measures had not been taken in 1947 to correct basic maladjustments in the British economy. Nevertheless, the establishment of convertibility was responsible for a substantial loss of dollars during this brief period. Much of this loss is believed to have been due to loopholes in the exchange-control measures set up to restrict convertibility to currently acquired sterling only. This inability to segregate current from restricted sterling balances resulted in a volume of "free" sterling which evidently exceeded British estimates of the situation.

Sterling-area gold and dollar reserves reported for the fourth quarter of 1949 showed an increase from the very low level to which they had fallen just prior to devaluation. These reserves are still considerably below the minimum level considered necessary by the British Treasury to meet the working-capital and other requirements of the sterling area. However, some observers question whether convertibility of the pound would be feasible even if these reserves should continue to show improvement and to reach and even exceed the minimum current requirements of the sterling area. To them, the existence of the sterling balances, nominally blocked but not under control, continues to be one of the most formidable barriers against the return to convertibility.

Future of the Sterling Balances

The controversy over the problem of the sterling balances is not a new one nor is it ended. Recent economic developments in the United Kingdom may have intensified the pressure to seek a settlement of these balances. A solution to this problem, however, must take into account not only economic but equally complex social and political factors as well. Moreover, such a solution cannot be the result solely of British policy with respect to these balances but must be negotiated with the other countries involved. These difficulties do not necessarily mean that no adequate settlement of the sterling balances can be worked out, but they do point up why the problem of the sterling balances may continue to influence the international trade and financial policy of the United Kingdom for some time to come.

Indonesia's Rubber Industry

Production, Exports, and Consumption

Estate production of natural rubber in the first 10 months of 1949, totaling 139,252 metric tons, was substantially higher than the output of 77,612 tons in the corresponding period of 1948, or the 67,000 tons in the last half of 1948. Native rubber production is not reported, but it approximates exports.

Exports of estate rubber in 1948 totaled 103,176 metric tons valued at 110,982,000 guilders and of native rubber, 176,808 tons valued at 145,151,000 guilders. (1 guilder in 1948 equaled US$0.3901). Exports in the first 10 months of 1949; 122,808 tons of estate rubber valued at 126,948,000 guilders and 193,316 tons of native rubber valued at 144,042,000 guilders.

A ruling that 50 percent of all estate rubber had to be exported direct to dollar buyers was withdrawn on September 20, 1949, following the devaluation of the Indonesian guilder (making it equal to $0.2632).

Fires in the Bandjermasin area in the third quarter have destroyed buildings, machinery, and rubber stockpiles. Damage was estimated at 5,500,000 guilders.

The centers of native rubber production are the Bandjermasin and Pontianak areas in Borneo and, in Sumatra, the areas around Palembang, Djambi, Rengat, and Medan on the east coast and Sibolga on the west. Most of the native rubber produced in Borneo is graded and packed for shipment direct to Europe or the United States, but a part of the Sumatran production is shipped in the rough to Singapore, where it is milled and handled for reshipment.

The production of the Bandjermasin, or South Borneo area, is about 35 to 40 percent of total native rubber output in Borneo. The production capacity of this area is estimated at 3,500 tons per month, based on the 1948 export figures of 46,000 tons, but production from January to July 1949, based on the volume of exports, was not much more than 1,000 tons per month.

Production of the Pontianak, or West Borneo area, is estimated to be about 5,000 tons per month.

The two largest centers of native rubber production in Sumatra are Palembang and Medan, from which areas 25,130 tons valued at 21,776,000 guilders were exported during November 1949. Three re-milling factories in Palembang produce 700 to 800 tons per month. In January-September 1949 Palembang exported 46,460 tons of rubber to Singapore and 17,123 tons to consuming countries. An estimated 10,000 tons of rubber per month exported from Rengat, Djambi, Sibolga, and other centers in Sumatra do not appear in the official export statistics.

Rubber Goods Production

Automotive and bicycle tires and tubes and footwear are the principal rubber items produced in Indonesia. Others include technical goods, packing, toys, rubberized piece goods, hose and a few other miscellaneous articles.

With the exception of some large-size tires, not manufactured domestically, and other sizes produced only on a limited scale, domestic tire production is said to be adequate for requirements. The market for tires has been steady for more than a year despite unsettled economic conditions. Tire prices are controlled by the Government. One manufacturer is said to produce 90 percent of the passenger car tires and 55 percent of the truck and bus casings.

Another important manufacturer produces principally rubber-soled canvas shoes. His plant consumes approximately 350 metric tons of natural rubber annually and at the present rate of production will turn out about 2,000,000 pairs of footwear in 1950, compared with 1,300,000 pairs in 1948 and 3,000,000 pairs in 1941. The factory maintains its own wholesale outlets through which products are distributed at prices fixed by the Government of 2.30 guilders to 8 guilders per pair. Attainment of the prewar production figure, or greater, is prevented chiefly by scarcity of skilled labour and lack of exchange with which to purchase new machinery, spare parts for existing equipment, and other factory needs. The chief competitors for skilled labour are the smaller, chiefly Chinese-owned and managed, factories producing similar products.

Approximately 30 small rubber goods factories employ about 4,000 persons including management. Chinese and European capital controls almost the entire investment in these plants, the share being approximately 75 and 25 percent, respectively. Indonesian capital invested in this industry is small.

Quality varies considerably. The Department of Economic Affairs is attempting to improve the quality of manufacture by granting foreign exchange and import permits only to factories producing goods of standard quality. The Indonesian Institute for Rubber Research at Buitenzorg, originally created to serve the interests of raw rubber production, is also giving considerable attention to the development of rubber products industries. The purpose of this institute is to increase and improve domestic production so as to reduce imports and conserve foreign exchange.

Imports

Imports of rubber products into Indonesia in 1948 and the first 5 months of 1949 indicate a drop in 1948 imports of automotive tires and tubes to 103,245 units from 210,715 in 1947 and a decrease in cycle tires and tubes to 206,708 from 822,505 in 1947. The United States of Indonesia does not export rubber products.

United States exports to Indonesia, with few exceptions, continued to decline from more than $4,500,000 in 1947 and nearly $3,000,000 in 1948 to $2,464,460 in 1949.

Outlook

Any immediate increase in the domestic rubber goods production would appear to hinge upon internal conditions. The rubber goods industry is pursuing a wait-and-see policy, as are most investors in that area. It is generally felt that with restoration of peace and order and reasonable security, the manufacture of rubber goods for domestic consumption will be expanded.

Consideration is being given to the necessity for enlarged transportation facilities. Future plans to emphasize highway construction and truck transport should increase the market for truck tires. The demand for other rubber products is expected to rise in proportion to any improvement in the standard of living or purchasing power.

Domestic production will be governed largely by the allocation of foreign exchange to acquire necessary foreign raw materials. No greater purchases of these materials may be made in 1950 than in 1949. Some provision is being made to replace worn-out machinery, but none for additional capital goods.

Indochina's Rubber Industry

Production and Consumption

Rubber growers failed to reach an output in 1948 at least comparable with the 60,000 metric tons produced in the last prewar year, owing to scarcity of labour, among other factors. Some progress was made, however, on many of the large and medium plantations, particularly in Cambodia, where security conditions were better than in Cochinchina. Despite production difficulties, natural rubber was, by value, the leading export commodity in 1948.

Production reached nearly 44,000 metric tons compared with 37,900 tons in 1947, and for the first 6 months of 1949 reached 15,303 metric tons against 16,958 tons for the first half of 1948. The drop in the 1949 period was not considered great enough to cause concern. Some apprehension was felt over the slowness of labour recruitment.

Growers claim local prices of crude rubber are below the cost of production, but prices are rising slowly. This is attributable to the announcement that 10,000 tons have been purchased in Saigon by French rubber manufacturers for delivery between November 1, 1949, and February 1, 1950. Rubber circles in Saigon have greeted this slight upturn rather apathetically, however, and are hoping for larger purchases in the future at higher prices. Despite this rise planters appear to prefer to accumulate stocks in the hope that some plan for larger and more definite Government subsidies will be arranged. It is understood that a subsidy is being financed out of profits derived from Government rubber

stocks accumulated during the war and sold in 1946-47.

The trend of Indo-china's rubber production in 1949 depends on several factors. Should the internal situation grow worse or fail to improve, it is felt that 1950 production cannot be materially increased. Lack of security, causing a shortage of labour, would tend to keep production down. However, the soil and climate are excellent, and the ability to check pests and diseases, together with wise replanting on the large estates, should result in increased production in Indo-china's chief rubber areas in Cambodia and Cochinchina. Every effort is made to provide adequate exchange to get necessary chemicals, machinery, and other essentials needed on rubber estates.

The amount of rubber consumed is relatively insignificant in relation to Indo-China's production, and in 1948 amounted to only 1,232 metric tons of smoked sheet.

Exports

Exports of natural rubber in 1948 amounted to 41,989 metric tons (valued at 308,359,000 piasters),[1] compared with 51,962 tons in 1947. This decrease was caused by the exhaustion of stocks accumulated during the war years. Data compiled from bills of lading of ships departing from Saigon, the rubber-shipping port of Indo-China, indicated that France and the French Union took 82 per cent of 1948 exports; the United States, 10 per cent; and Hongkong and Singapore, the remainder. Exports from Saigon in the first 8 months of 1949, as published in the Saigon Chamber of Commerce Journal, were 25,013 tons compared with 25,106 tons for the same period of 1948. No data are available showing stocks on hand. At the end of 1948, however, stocks in plantation warehouses totaled 5,427 metric tons and in warehouses at Saigon-Cholon 7,377 tons.

Production of Rubber Goods

Production is limited in both quantity and variety of articles. The leading manufacturer produced approximately 90 per cent of the total declared production, estimated at 600 metric tons in 1948. A number of small Chinese and Anamite shops also produce, on a family basis, crepe soles and other light rubber articles. Of the total production of the principal manufacturer, rubber tubing, belting and sheeting represent 58 per cent; shoes and soles, 51; bicycle tires, 12; druggist's sundries, 7; and miscellaneous items, 8.

No tires, other than bicycle tires, are produced. The market for passenger car and larger-size tires, other than for military use, is very limited and, with but few exceptions, is supplied by France. These exceptions mainly are in sizes not obtainable in France.

Although some retreading is done in Saigon the cost is nearly equal to the new product, and new tires are becoming more plentiful.

It is believed that expansion of the Indo-China rubber products industry is feasible under more normal conditions. The readily available raw rubber, necessary labour, and existence of a domestic market for such items as shoes, crepe soles, tires, tubing, belting, household and industrial goods would appear to warrant such expansion.

Imports and Exports of Rubber Goods.

Exports of rubber products are of little consequence and no data are available as to specific items. In 1948, 38 metric tons of unspecified rubber articles valued at 1,305,000 piasters were exported to France, compared with 19 tons and 340,000 piasters in 1947.

Tire imports pay an ad valorem tax of 25 per cent and an internal revenue tax of 10 per cent. In addition a sales tax of 1 per cent is levied on the retail cost of all articles sold.

[1] From January 29, 1948, to October 3, 1949, the rate of the piaster remained constant at the equivalent of $0.07944, United States currency. On October 3, 1949, at the time of the French franc devaluation the piaster became equivalent to $0.04857.

Thailand's Rubber Industry

Production

Most of the rubber grown is of low and medium grades; the first-grade product accounted for only 5 per cent of the total of more than 95,000 metric tons produced in 1948. It was estimated that 40 per cent of the total was produced on medium or large plantations and the rest on small holdings.

Government officials estimate that some 500,000,000 baht are invested in rubber plantations and that at least 75,000 persons derive a livelihood from natural rubber production.

Exports of natural rubber in 1948 more than quadrupled the 1947 figure, and exceeded 95,000 metric tons. In the first 8 months of 1949 exports totaled more than 62,000 metric tons; the United States was the principal purchaser.

Production of Rubber Goods

Thailand is an important grower, but a small consumer, of natural rubber. Of the seven small manufacturers of rubber products registered with the Ministry of Commerce, only two are considered commercially important. Approximately 300 metric tons of natural rubber were consumed in domestic industries in 1948. The total capital invested in domestic rubber products manufacturing has been estimated at 3,500,000 baht and employment is said to vary between 400 and 500 workers. The entire 1948 rubber commodities production, valued roughly at 1,748,000 baht, was consumed domestically. In addition, limited quantities of rubber were used by small shops, but neither the rubber consumed nor the value of production is sufficient to materially affect these figures. Of the two large factories, one is Government owned and the other is privately owned.

Early in 1949 the Government appropriated 3,000,000 baht as a capital fund for 1949 and 1950 to acquire additional machinery and for plant expansion of the Government-owned operation. This plant has concentrated on the production of shoes, and soles and heels; the privately owned company has produced toys and rubber medical supplies. The Government plant has now increased the staff to 300 workers and wages are fairly well stabilised at 5 baht per day for temporary unskilled labour and 300 baht per month for full-time employes. The only privately owned plant in a position to compete with the Government-owned factory averages 120 employes, whose wages follow those set by the Government plant.

The Philippine Embroidery Industry

The volume of output of the embroidery industry in the Philippine Republic (mainly blouses and lingerie, men's handkerchiefs, and infants' wear), in 1949 is the largest since the end of the war. Despite the fact that the value of exports declined from 13,917,556 pesos in 1948 to 11,976,583 pesos in 1949 the quantity increased 18 percent. The Philippine embroidery industry, established over 30 years ago, has developed until it is now an important dollar-earner. Embroidered articles are seventh among the country's leading exports. Production statistics are not available, however, records based on ships' manifests indicate that 1,590 tons (of 40 cubic feet) were shipped to the United States in 1949 as compared with 1,298 tons in 1948. Infants' wear, women's blouses and lingerie, and men's handrolled handkerchiefs were the principal items produced.

Seventeen firms which make up the membership of the Embroidery Association of the Philippines are the most important segment of the industry. They represent an estimated investment of 10,000,000 pesos. These companies, all located in Manila, receive imported materials on consignment from their main office or agent in the United States and merely act as labour contractors for the hand work and embroidery. The finished garments are not sold locally but are exported to the United States. Because these operations increase dollar funds they are exempt from import controls. A few firms which also have wholesale and retail outlets export small quantities of finished embroideries. However, they have neither the capital nor established market to compete effectively with the large organisations operating for export only. In addition, these companies are subject to strict scrutiny by

the Import Control Board in order to prevent their importing unrestricted quantities of textiles which might be used largely for the local embroidery market. Many small shops are located in Manila which supply only domestic requirements and the tourist trade. Their materials are purchased from wholesalers and the workshop is usually operated in conjunction with the retail outlet.

It is estimated that 180,000 individuals find employment through the embroidery industry. The business establishments in Manila act largely as distributing centers—importing, cutting, designing and stamping the cloth preparatory to delivery to the neighboring Provinces for the actual embroidery and hand work. When the work is completed, the embroidered items are returned by the contractor to the Manila plants where they are inspected, trimmed, assembled, laundered, and packed for export. In most instances the various types of needle work are done by different workers. One individual will embroider scallops, another will do hemstitching, while a third will make the buttonholes or do the drawn work. This division of labour necessitates an elaborate system for the distribution of materials among the workers and accounts for the 3 to 6 months usually required for the completion of a garment.

A worker is able to embroider one to three adult garments, or one to four baby dresses daily, excluding sewing and assembling. An average worker can sew and assemble a dozen baby dresses or adult garments daily. Workers in the Provinces are customarily engaged on a part-time basis, dependent on the quantity of orders on hand and the seasonal availability of alternate forms of employment. Wages are paid on a piece rate basis and are relatively low despite the high grade workmanship. Most Filipino women are proficient at sewing, and skilled workers of all types of embrodiery are readily available. The industry is capable of considerable expansion with little additional investment.

The value of embroideries exported in 1949 declined approximately 14 percent from 1948, although the quantity increased 18 per cent, owing largely to lowered production costs in 1949. Since 1931 the United States never has accounted for less than 98.8 per cent of the total embroideries exported.

In accordance with the Philippine trade act of 1946, implemented by an executive agreement between the two countries, United States articles enter the Philippines free of ordinary customs duty until 1954. United States articles are defined as products of the United States which do not contain foreign materials, other than materials of the Philippines, in excess of 20 per cent of their total value.

Under import and exchange controls established in December 1949, imports of textiles, including the types of materials required for the embroidery industry, were cut 75 per cent, based on 1948 imports. Embroidery firms which import materials for subsequent re-export at an increased value, are exempt from these controls, although an application for ex-quota entry must be made in each case. Such materials are exempt from the sales tax ordinarily assessed on all imported goods.

Delays in securing licenses have handicapped the industry considerably since both capital and materials are normally tied up in work in process and in transit from 6 months to a year. The controls will most seriously affect the operations of those firms which supply the domestic market. Wholesale prices of fabrics, thread, buttons, and their component accessories have risen in some instances as much as 50 per cent. Local retail prices registered since January 1950 generally have risen an estimated 20 per cent. Even pina and abaca embroideries, produced almost entirely from native fibers and materials, are retailing at higher prices.

Because the living costs had increased considerably by the beginning of 1950 the trade anticipated a resultant 15 to 25 per cent increase in labour costs over the next 6 months. It is not known whether the higher prices will affect the export volume.

Philippine Shoe & Leather Industry

Footwear

Production:—The area in and near the villages of Marikina and San Mateo, just east of Manila, probably accounts for one-half or more of the shoes made in the Philippines. Most shops are organized on a family basis, at least a dozen manufacturing 100 shoes or more daily.

There are around 1,059 manufacturers of shoes and slippers in the Philippines. Of these, about 25 make ready-made shoes with brand names. Most of the others make a limited number of shoes on individual order as well as a few in the more popular sizes for stocking retail stores operated with the shoe shops.

Of the estimated 9,500-pair daily production, only 2,300 are largely machine-made; the rest are hand-made although the soles may be stitched by machine. At least two-thirds of all machine-made shoes are for men, manufactured by the Goodyear welt process. Most women's shoes are stitchdowns. Two small firms are experimenting with the cement process.

Aside from individually made and sold shoes, hand-made shoes usually are produced under contract to firms which supply the leather and findings and distribute the finished product. Most of the small shops which make a hundred or more pairs daily have at least one machine to stitch soles and many have a few other simple machines, as well.

Some shops acquired shoe repair machines shortly after the war as the first step in mechanizing their operations; several have now progressed to the point where they are in the market for heavy-duty machines.

Welting is made by a few small firms, mostly on order from companies in Manila that supply leather and findings to Marikina shops.

Styles generally tend to follow those pictured in United States trade journals and catalogs.

Women's platform styles continue popular. Local output emphasizes low heels; most high-heeled shoes are imported. "Play shoes" often sell better than standard styles and are widely used for every-day wear. Plastic uppers are not popular, and are considered unsuitable to the climate.

The greatest proportionate increase in machine production has been in children's shoes. Prior to the war, probably 90 percent or more were made entirely by hand; now at least one-third are made largely by machine. Officials of one firm that specializes in children's shoes anticipate that within a year its capacity will have risen from 400 to 1,000 pairs daily, in an almost completely mechanized operation.

Production of leather shoes by the principal manufacturers in the Philippines in 1948 was estimated at 2,500,000 pairs; in 1934, 1,560,000 pairs; in 1930, 1,187,350 pairs; and in 1925, about 1,010,940 pairs.

Prior to World War II, the Philippine shoe industry was being organized on

a factory basis. Less than half the total production was factory-made. War and the destruction of factories set the industry back several years. Of the large plants in operation, one was destroyed and another lost its main building and nearly all its machinery. The third resumed out-put on a small scale immediately after the war, but its machinery was so obsolete as to require almost complete replacement. No attempt has been made to rebuild the destroyed factory, but others have received new equipment and are in partial production. The use of machines has been increasing rapidly among smaller producers, more soles being machine-sewn in 1947 and 1948 than before the war.

Five of the larger factories are located near Manila and in Cebu. The most important producing cities and regions, by number of producers, including both large factories and shops where shoes are made by hand with sewing machines, are: Manila, 348; Negros (entire island), 135; Cebu (city and Province), 113; Panay (entire island), 111; and Ilocos Provinces and La Union, 94. Most of the remaining 258 producers are scattered throughout central and southern Luzon. Of only 19 located on Mindanao, 16 are in Davao City.

One of the most important producers in Manila is United States-owned and another in Cebu is owned by a Chinese. Nearly all the other firms are at least technically owned by Filipinos but financed with Chinese capital. The capital was acquired locally and can best be described as Philippine capital controlled by aliens. The National Development Company, a Government-owned corporation, supplies materials to 12 of the larger Marikina shops and is encouraging Filipino producers.

Except for a few small shops that use individual systems, manufacturers follow the United States system of making shoe sizes. The machine-made shoes are marked with reasonable accuracy, but sizes shown by most small shops are only approximations. Shops in Marikina are short of lasts and ordinarily use one last for a range of sizes.

Factory producers maintain fairly even standards, but under the system of farming out leather and shoe findings to small shops, a wide variation in quality is permitted by most distributors. One of the most important reasons for the high regard for United States shoes is that footwear of a particular manufacturer, at any given price level, is relatively even in quality.

Raw Materials:—Most leather used in the Philippines is imported, although some small shops use local side leather in the cheapest shoes. A substantial proportion of the smaller producers use domestic sole leather when available. Philippine leather also is used frequently as filler and welting. While local leather is in demand, it is used only in low-priced shoes because it has a displeasing odor. Suede-finished splits are carried in a variety of colors by all dealers and are sometimes used in making women's shoes. Shoe-makers state, however, that patent leather does not stand up well and they prefer to leave this field to imports.

Leather from the United States, generally considered superior to that of other countries, accounted for most of the upper and for about three-quarters of the sole leather received from 1939 through 1948. The price of Australian leather is low, and its use is increasing for insoles, outsoles, and heels, but it has a less desirable color. Chinese sole leather also is being imported, although it is not so popular as that from Australia.

Manufacturers estimate that from 80 to 95 percent of their side leather purchases are of smooth side leather. Elk sides (elk-finished cowhide) probably account for 10 percent or more of all side leather imports, although the trade says the proportion declined since 1946. It is used especially in work shoes. Immediately after the liberation, not enough smooth side leather was available and white buck was used as a substitute. Some shops refinished the white buck by smoothing it down.

Shoe findings, other than welting, are imported almost exclusively from the United States, although fibre from Europe is being tried experimentally in making counters.

Shoe soles and leather heels usually are manufactured in the Philippines.

Consumption:—As exports are negligible, consumption about equals production plus imports. Leather shoes are sold mostly in the major urban areas. Outside the cities, footwear made of wood, fibre, or rubber with canvas tops, is worn. Even in Manila, the low-income groups wear rubber and bakya, or wooden shoes.

The trade estimated that by the end of 1948, over 15 percent of the more than 19,000,000 people wore leather shoes; in 1928, only 10 percent of the 12,500,000 inhabitants wore them. Assuming a domestic output of 2,500,000 pairs and importation of 1,000,000 in 1948, each consumer probably bought about 1.2 pairs in that year. The proportion wearing leather shoes is expected to rise with the anticipated increase in population.

Imports:—Women's shoes are supplied largely by local production. Several retail stores in Manila stock locally made women's shoes but only United States-made men's shoes. This was rarely true a year ago although price rather than import control, probably was largely responsible for the development.

The Canadian-made Bata shoe shared the popularity of United States shoes immediately after the war, but sales fell before the end of 1947. Only one retail branch reopened since the war. The trade believes that as many United States shoes will be sold as can be imported under the import restrictions.

A few Chinese shoes are imported but they are designed for the low-priced market and are not highly competitive.

Exports:—With insignificant exceptions, very few Philippine-made shoes are exported. Reexports of leather soles in April-June 1948 totalled 42,000 pairs.

Duties and Government Regulations:—Effective January 1, 1949, the importation of boots and shoes made of leather with any kind of top, sandals and slippers, leather garments, and harnesses and saddles was prohibited unless licensed by the Import Control Board.

Effective December 1949, import quotas for leather skins and imitations and manufactures thereof, boots and all other footwear, with any kind of top, when soled with leather skins or imitations, were cut 80 percent, by value, over the 1948 base period quota. Imports of sandals and slippers were cut 90 percent, and of other leather manufactures, 90 percent.

Under an executive agreement between the United States and the Republic of the Philippines, signed July 4, 1946, imports of United States products are permitted duty-free entry provided they do not contain over 20 percent foreign materials, by value, other than materials of the Philippines. If foreign materials exceed 30 percent by value, they are subject to full customs duties. Shoes made of reptile skins and all slippers and sandals other than silk (unless made of materials originating in the United States or the Philippines) are subject to a duty of $0.75 per pair, U.S. currency.

Most large importers felt that their needs for 1949 were taken care of, but some smaller importers maintained they were held well below requirements. In several instances, restrictions on small importers has caused them to place greater emphasis upon imports of men's shoes which change slowly in style. Style changes in women's shoes often necessitate disposal at a loss.

Leather Manufactures

Only a limited number of leather articles, other than footwear, are manufactured in the Philippines. Except for holsters, welting leather, and possibly harness, none share to a large extent in the local market. Leather handbags, belts, wallets, and novelty items are made by six small shops in Manila and Cebu, but the total output probably is less than 100,000 pesos annually.

Holsters are important sales items. Side arms are carried by thousands of minor municipal and barrio officials, civilian guards, and ordinary citizens, as well as by the military and police forces.

Harness production is small, and the few local producers have difficulty in competing with inexpensive Australian imports. Sales are declining as incomes from horse-drawn vehicles decrease because of competition from motor vehicles. Harness is replaced infrequently, and the number of horse-drawn vehicles is reported to be lowly decreasing. Welting and harness are cut from both Philippine and imported leather.

Outlook

Both the population and the proportion wearing leather shoes are expected to continue to rise. Machine production has been increasing rapidly, and most smaller shoe shops have at least one simple machine. Some shops acquired repair machines shortly after the war, and have progressed to where they plan to purchase heavy-duty machines.

Hongkong Radio Apparatus Trade

Production and Trade

Before the war, two small plants manufactured radios and components. After the war, competition from imported products discouraged reopening of the plants. However, three small factories are producing a variety of electrical equipment, including radio parts. A large part of the business of the three firms consists of the importation of United States radio parts for re-export to Canton and Formosa. The largest company manufactures about 20 amplifiers per month for dance halls and schools and produces transmitters and transformers with imported parts. A small section of the radio industry assembles radio phonographs from United States record changers, United Kingdom 3-band, 6-tube radios, and cabinets of domestic manufacture. The approximate cost of such a unit is HK$1,600. The largest manufacturer employs 38 people, 13 of whom are skilled and the remainder unskilled.

Distribution & Merchandising

One United States manufacturing firm maintains its own sales organization and reports that this operation, together with United States advertising and sales methods, has greatly increased sales. This firm utilizes seven dealers whose personnel is trained in repair work and sales methods. All other foreign radio manufacturers give exclusive distribution rights to local agents. Some agents retail from their own offices or show-rooms but most of them sell through the 206 licensed retailers in Hongkong and accept orders from Macanese and Cantonese retailers.

An estimated 250,000 radio receivers were in use on June 30, 1949, of which only 39,806 were licensed. About 2,000 sets in use were radio-phonographs. Because of the standard of living, only foreigners and wealthy Chinese can afford radio-phonographs.

Nearly all radios in Hongkong are equipped for medium and short wave reception. One explanation is the popularity of both distant and nearby stations. Also, the foreign community as well as many of the Chinese, insist upon receiving oversea broadcasts.

Small table radios are preferred because they occupy less of the limited space in Chinese homes and shops. An estimated 1,000 automobile radios are in Hongkong. Their unpopularity is attributed to their short range, which limits reception to the single station in Hongkong. About 1 percent of the radios in use were manufactured before 1939.

Radio tubes are not manufactured; imports are almost exclusively from the United States as the makes are considered superior.

The most common cause of breakdown of radio receiver components is the high humidity (often exceeding 95 percent) during the period March to November; and a radio that is not tropicalized has a relatively short life. For this reason dealers report that tropicalized sets are preferred and advise that long-range selling depends largely upon the durability factor.

Credit is seldom granted by wholesalers beyond 30 days. A cash deposit of one-third of the purchase order value is required by most distributors, since some retailers cancelled orders when it became apparent that supplies were sufficient to meet demand. Trade with China, on which Hongkong largely depends, is usually conducted on a cash basis. Instalment sales are unknown at low retail levels.

Since Hongkong is a free port, imports of radio products are not subject to duties or restrictions other than an import license, which is granted freely.

Electric current is available in all parts of the colony. The use of electric current is not restricted. Power is principally 200-350-volt, 50 cycle a. c.

Packing in paperboard containers has resulted in radio sets being damaged; as well as some pilferage, although to lesser extent in Hongkong than in most Far Eastern ports. Export packing in plywood containers reduces both damage and pilferage.

No commercial advertising is permitted on the Government-owned and operated radio stations in Hongkong, the only stations in the Colony.

FINANCIAL REPORTS

HONGKONG FREE MARKET

GOLD:—Last week's opening rate for .945 fine tael $268, closing 275¼. Highest & lowest rates per .945 fine tael $279—263, equiv. to .99 fine tael $292.28—275.52, and .99 fine troy oz $242.89—228.97. Against official parity ($200 per fine oz) local prices 15—20% higher. Crosses US$39½ high, 37½ low (against US Treasury buying price of 35 local crosses 7¼—13% higher).

Macao and Canton high & low for last week (in HK$ per .99 fine hongping tael, same as traded in Hongkong) 289—275 and 275—262 respectively. Macao market quotes approx. like Hongkong; Canton, where only small illicit gold exchange operates, considerably below local market.

Prices in Hongkong moved within narrow margins, only rumors acted as incentives (e.g. a supposedly 'threatening world situation,' KMT inspired war rumors involving almost any area here and on Mars). Bulls were hoping for some 'hot war' news but bears, basing their hopes on more solid grounds and facts, emerged once again as victors. Important developments of last week were suspension of gold imports (into Macao) from Hainan as that island is now fully controlled by the People's Govt of China; imports from Taiwan were small; local and Macao stocks declined.

Interest on forward market continued in favor of sellers (bears) and totaled for the week 39c. per tael (=7% p.a. for interest hedging investors).

Forward contracts last week: 384,000 taels (.945 fine), approx. 64,000 taels per day. Position left open per average day: 207.500 taels. (Gold exporters; Shanghai operators, KMT operators overbought; Swatow operators, Canton and local operators and interest hedgers oversold).

Spot sales: 34,900 taels (of which 24,750 official, 10,150 curb market). Of above quantity, 30,000 taels changed hands among interest hedging forward operators, 4200 exported, 700 melted down by jewelers. (Exports to Bangkok 2600 taels, Singapore 1600). Imports from China (Amoy and Tientsin) 3000 taels, from Taiwan 1000 taels. Only a trickle from Canton.

Exports are effected in .99 fine bars (other bullion is not accepted abroad). Traders have to pay differences not as per exact fineness (i.e. from .945 to .99) but in accordance with market rates; last week exporters paid for the difference in fineness $14.20—14.60 per tael if Gold Exchange certificate was provided, and $13.50—13.70 without such certificate (guaranteeing .99 fineness).

Macao continues to ship gold to Bangkok and Goa and as long as Indian prices are yielding substantial profits this business will last. The Goa business is well controlled by a small group which is the same handling previously the bulk of imports from various countries into Macao for re-export to China. The reverse process in now well underway; Macao receiving bullion from China (incl. Hainan, before the island's fall, Taiwan, and via Hongkong) and channeling it via S.E. Asia ports to India (where however bullion imports are proscribed and therefore Goa, the Portuguese colony, has to act as 'intermediary'). Macao airlifts the yellow metal in chartered flying boats via Bangkok or directly into Goa from where the illicit reexport is effected. Profits are very large as the local crossrate moves between 37—39½ while in Goa (thanks to the high Bombay prices) over 45 are obtainable (after deducting transport and insurance charges).

Highest & lowest .945 fine tael and TT New York quotations:—

	Gold		US$	
May	High	low	high	low
1	272	264⅞	614	610½
2	267¾	263	614½	610
3	273¾	265½	615¾	614
4	277½	270¾	616	614
5	279	273½	616	613
6	276½	273	614¾	612½

**US$:**—High & low of last week in HK$:—notes 612—605½, DD 614—606½, TT 616—610. Crosses US$ 2.597—2.622 (against New York and Zurich slightly higher, but lower than Tangiers).

Small arbitrage transactions, utilising the margin between 'cheap' US$ purchases here and the New York free market where sterling (unofficially transferable) quotes fractionally higher than in Hongkong. Official banks' buy-

ing rates for sterling were advanced as more inward remittances were received partly as a result of arbitrage transactions (after a sterling or sterling area currency draft has been entered into the account of local recipient, US$ on the free market can be purchased for transfer to New York or Europe).

The local free US$ rate is about 7% higher than the official rate.

Sales in the native exchange market: US$1,650,000 (of which 700,000 TT).

Demand for funds in New York came from gold operators and investors who converted part of their bullion into US$ (the present rate of around 610 being considered as attractive). Small investors (mostly from North China and Shanghai) were also in the market as they have abiding faith in the US currency. The agents of the Chinese govt were also buyers, probably for meeting obligations from import contracts. Sellers were many Bangkok merchants and Philippine Chinese.

Merchant demand has been small for several weeks past as overstocking remains with us; godown space continues at a premium and dealers are unable to dispose of old cargo without suffering losses. New US imports are difficult to absorb though China trade is buoyant and means of communications adequate to the high volume of trade. Not until present high stocks have been tangibly reduced and the future of HK-China trade assumes more reassuring character—while now trade is buoyant there are apprehensions as to the future policy of the Chinese govt—can importers expect new and large contracts and indents.

US notes were heavily imported here by Amoy dealers (both flight of capital and financing of imports into Fukien) and thus the spread between TT and notes widened to 1%.

Philippine Chinese were sending funds to Hongkong as misgivings about the political situation in the new Republic were growing and investment openings appeared now less rosy; the threatening unrest with the Huks coming out very boldly has further discouraged Chinese investors. But Hongkong is also no happy hunting ground any more; besides there are also apprehensions about the security of Hongkong which, however, are better left for discussion among private citizens.

Philippine peso remittances were now more frequently routed via the US as Manila black market conditions turned out, temporarily, unfavorable. Triangular exchange transactions—New York—Hongkong—Bangkok—have been on the increase with US$ in Bangkok quoting most of the time lower than here. Siamese rice and lumber exporters obtain US$ from their Asian customers; gold dealers are also well supplied with US$ (obtained from their exports to India and Near East).

Japan account US$ quoted below free market TT New York. There is now less demand for Japanese goods and as indications are growing that the trade of Japan will soon be placed on a yen rather than US$ basis local importers no longer feel inclined to maintain a credit balance but are satisfied, whenever there is some new business, to arrange for a purchase (sellers of Tokyo account being local exporters who obtain 60% of proceeds from local Govt free, the rest to be surrendered at official rate; and also shipping companies and others who supply a service to the Japan trade thus earning 'invisible export proceeds').

Silver:—Rates of last week, per .99 fine tael $4.80—4.81, per dollar coin $3—3.06½, per 20c. coins $2.35. Sales: 95,000 taels (in weight). Imports very small; exports nil.

Bank Notes:—Rates of last week (in HK$ per 100 foreign currency units for paistre, guilders and baht; per one unit other currencies):—

Piastre forward 12, Nica guilder 3.70—5, Java guilder 2.50, baht 26.40—26½ (small denomination notes 25½). Bank of England note 15.60—15.70, Australia 12.60—12.64, India 1.07—1.08¼, Burma .80—.81, Ceylon .97, Canada 5.40—5.44, Malaya 1.82¼—1.83, Philippines 2.47½—2.50.

OFFICIAL EXCHANGE

Exchange Banks Association, Hongkong, increased on May 5 quotations (agreed merchant rates) by 1/32 for sterling (and for other sterling area currencies proportionately), and by 1/16 for US$. New maximum selling rates and minimum buying rates:—sterling 1/2-29/32 (HK$16.100629), 1/3 ($16); US$17⅜ (HK$5.7553957), 17-9/16 ($5.6939502).

The present sterling rates are 1/32 below the highest peg (selling 1/2-15/16, buying 1/3-1/32=HK$15.966736).

CHINESE EXCHANGE & FINANCIAL MARKETS

Official rates:—Since several weeks the People's Bank dollar (PB$) has been firm and has improved in terms of foreign exchange reflecting the slow return of financial normalcy in China, growing confidence of the people in the stability of the currency and increase of overseas Chinese family remittances. The Bank of China (authorised to handle foreign exchange by the People's Bank) rates are now almost the same in North, Central and South China.

Current rates, in PB$, are as follows (drafts):—USA 37,500, London 93,000, Australia 78,600, Malaya 11,300, India 7200, Canada 32,600, Hongkong 6000; Switzerland 8700, Thailand 1600, Indonesia 1808, Philippines 12,000, USSR 10,250, Mongolian People's Republic 9300, North Korea (Korean People's Republic) 62.

Crossrates: US/Hongkong 617—625, US/London 2.48, US/USSR 3.66 (official rate in Moscow since March 1, this year, Roubles 4, before 5.30).

The official Chinese rates are not based on any foreign official rates or exchange agreements between countries; they are realistic rates established according to the market conditions, subject to change at short notice and after consultation between the Bank of China, other govt officials and private interests. (Vide: Philippine peso rate which officially, in Manila and New York, is fixed at US$0.50 but on free market quotes considerably less and accordingly also less in China's official exchange market).

US$ draft rates in Shanghai, Tientsin, Canton and Swatow were as follows: PB$37,000, PB$37,500, PB$37,300 and PB$37,250. US note rate is about 35,400 only. HK$ draft rate is everywhere in China 6000, the note rate 5900. Sterling draft rate between 91,800 to 93,000. Malayan dollar draft rate around 11,300 in all cities, the bank note only 10,000.

Gold is very cheap in China and there is little demand; official rates (banks' buying rate for purpose of converting gold into victory bonds of the Chinese govt) is PB$850,000 in Shanghai and 1 million in Canton. Crossrates from US$23 to 27 per fine oz.

Black Market:—In recent weeks the black markets in all cities of China have practically ceased to operate as there is no longer any business. It was not police measures which brought about this, for China and postwar Europe, unbelievable development but the realistic financial policy of the Chinese authorities who, as it were, entered into competition with the black exchange and defeated it by adopting their rates as official rates. Today, black markets quote at par with the Bank of China and there is no incentive to patronise black markets except by the steadily decreasing crowd of capital 'flighters.'

Last week's unofficial PB$ rates in Hongkong were HK$1.675—1.65 per PB$10,000; small money changers in Canton and southern Kwangtung sold PB$5,500—5,750 per HK$1 (i.e. below the official rate, a most unusual phenomenon in international black markets). Gold and US$ remittances between Hongkong and China have practically died out; rates were as follows—Tientsin, gold 79—80 ozs here per 100 in Tientsin, Shanghai, gold 78—78½ ozs, US$95½—96 (per 100 in Shanghai); Amoy US$ remittances at HK$6.04—6.15 here per 1 US$ in Amoy. The only larger business was HK$ remittances between Hongkong and Canton: total transactions last week HK$240,000 at 100.20 to 101.40 here per 100 in Canton. (This rate was also quite unusual reflecting, as it does, the growing confidence in Canton in PB$ and less reliance on HK$ which was previously the almost exclusive means of payment in the larger part of Kwangtung; in previous weeks a Canton remitter of HK$ to Hongkong obtained only around HK$95 here but now he obtains a premium).

While business men in Canton continue to make their calculations in HK$ they no longer use this money. Except for individual hoards (which also may decline progressively in case of further stabilisation of economic conditions in China) the amount of HK$ in Canton should drastically fall; at present the total amount of HK$ estimated to be still in China (mostly in Kwangtung) is around $100 million (Hongkong's bank note circulation is slightly over $800 million of which one eighth in China).

An important factor in the HK$ position in Canton is the gold trade; as prices in Canton are at a discount against Hongkong, local operators remit HK$ to Canton in order to purchase gold.

Taiwan:—The walk-over in Hainan has caused anxiety in Taiwan where business people now expect an early assault. The scramble to get out before war engulfs the island fortress has affected financial markets. Flight of capital has been conspicuous since several months but as recently one of the leading gold and currency smuggling rings was smashed up by the authorities in Taiwan the arrival of gold etc. from that island was slowed down. Now, new imports are reported in the 'underground market'; Macao, which has direct communications with Taiwan, is serving as the main base for Taiwan's bullion exports. Gold remittance rates rose here from 65 to 71 taels per 100 taels in Taiwan. Taiwan holders are losing a considerable portion of their wealth when sending it out of their threatened island.

Indications of Progress in China:—Commodity prices are dropping further; one catty of rice in Canton costs now HK$0.25 (first grade) that is just one quarter of the price in Hongkong. Food is ample though famine conditions in certain smaller areas of Kwangtung are to be expected before the new harvest. Still, prices are very low and there is some hope that the govt will bring in (from the north or from Thailand) needed supplies to keep the affected rural population out of a serious famine. The drought of earlier this year has given way to floods and in recent weeks the weather god has been kind to south and central (western) China where general conditions have improved.

The parity deposit unit has further declined from PB$6485 to, last week. 6438, underscoring the drop in commodity prices generally.

Canton first quarter trade returns show an export excess and the govt promises to keep this excess up and even increase it in the next 9 months of this year. The People's Bank reports higher deposits; compared with March, the April deposits rose by 79.4%. This development is remarkable in view of the fact that the PB$ has remained stable and, of late, has appreciated in terms of living costs and foreign exchange.

The Bank of China, Hongkong branch, estimates that overseas Chinese remittances in April totalled over HK$30 million (of which 15 m. to Shanghai, 7 m. to Kwangtung, the balance to Tientsin and other cities, mostly in the south-east); this amount has been channeled through the official banks via Hongkong from overseas.

Victory Bonds:—The bonds total is 200 million 'points'; about 5½ parity deposit units (rice, cloth, edible oil, coal briquettes) make up one 'point.' A Peking spokesman estimated the value of a 'point' at about one prewar Chinese dollar, however, the value today of a 'point' is actually around US$ 0.80 to 0.85. One parity unit valued last week PB$6438. The value of a 'point' of the bonds is fixed only in terms of specified essential commodities and has no relation to either Chinese or foreign currency.

There have been so many complaints by Chinese business men that the bonds subscription, which is not stated to be compulsory though in fact it has turned out to be so, has been oppressive and that amounts 'allocated' were far in excess of what merchants, industrialists etc. were able to shoulder, that foreign observers were led to believe that the victory bonds campaign was a thoroughly ruthless and most unreasonable affair. However the total of the bonds, converted into US$ at current commodity prices, is only some US$160 to 170 million, a small amount for so great a country as China. The complaints would, in the light of latest information about the conditions of loan subscriptions, require some new study and a more balanced appraisal of their merits. The bonds are carrying a small interest and are repayable in PB$ but computed at commodity prices as stipulated in the bond certificate. The only apprehension of merchants is that at the time of repayment the Chinese govt will exchange one scrip with another.

Naturally, the state of health or decay of China as a nation will decide the fate of the victory bonds; those who have confidence in the return of prosperity in China will not repent the investment in these bonds. From very reliable Shanghai 'capitalists,' just arrived in Hongkong, it is gathered that there is no longer any resentment on the score of the bonds subscription though the continued policy of heavy taxation while justified theoretically is inflicting real harm to private business interests.

"SLUMP ON THE HONGKONG STOCK EXCHANGE"

The Editor, Far Eastern Economic Review, Hongkong.

Dear Sir,—Attention of the Committee of the Hongkong Stock Exchange, Limited, has been drawn to an article appearing in your issue of 4th May, 1950, under the caption of "Slump on the Hongkong Stock Exchange," which might be interpreted to be an official expression of opinion by the Committee of the Exchange. The members of the Committee of this Exchange wish to make it clear that the article does not represent their views, and I shall be grateful if you will make this clear in your next issue.

N. V. A. Croucher,
Chairman.
H.K. STOCK EXCHANGE, LTD.

* * * *

The article in question was based on information obtained from private sources and we are glad to remove any possible misapprehension by publishing the above letter from the Committee of the Hongkong Stock Exchange, Ltd.

Bargain Hunting on Hongkong's Stock Exchange

There was evidence of bargain hunting during the week, including enquiries on London account for Hongkong Banks & Union Insurances; several hundred shares of the latter were placed. It is rumoured in the market that negotiations are in progress for the purchase of 80,000 Dairy Farms.

Recent forced liquidation, in such stocks as Hongkong Electrics & Watsons is attributed in some quarters to the fluctuations in the rate of gold bars. It will be recalled that the buying rate fell from the high of $288 per tael on 26th April to $261 on 2nd May; the rate on 6th May had, however, recovered to $272.

Business reported for the week, totalled $1,099,735 as compared with $3,500,000 for the corresponding week of 1949. The volume of business for the first quarter of 1950 amounted to $22,596,951.

The following dividends were announced during the week:—

Indochina S.N. Co., Ltd.,—6% dividend on Preferred shares less Tax; 10% dividend ordinary shares less Tax; 10% Bonus ordinary shares less Tax 1949.

Peak Tramways Ltd., (O) $3 divd. free of tax year 31.3.50; (N) $1.50 free of tax year 31.3.50.

William Powell, Ltd., $1.00 free of tax, year 28.2.50.

Macao Electrics are offering 4 new shares, upon payment of $10 per share for every 3 held ranking for dividend from 1st June, 1950. After these new shares are issued shareholders will receive 1 Bonus share, ranking for dividend from 1st September, 1950, for every 7 held.

Last week's prices & sales were as follows:—

Stock	High	Low	Sales
H.K. Govt. Loan 4%	98 B.	—	$265,000
Hongkong Bank	1255	1245	61
Union Insurance ..	570	565	210
Asia Navigation ..	654	654	2,000
Hongkong Docks ..	14½	14½	2,000
Wheelock Marden ..	21 B.	—	700
Shanghai Lands ...	39	38	1,000
Trams	11	10½	3,400
Lights, old	10.30	9.80	6,250
" new	7.30	6.80	4,240
Electrics	22½	20	6,431
Dairy Farm	32½	32	2,300
Watson's	21½	21	—
China Emporium ...	10	10	500
Sun Co., ...	2	2	340
Kwong Sang Hong ..	100	100	280
Shanghai Loan	1 nom.		—
Yangtze	3 nom.		—

TOKYO STOCK EXCHANGE

	Price index (Aug., 1946=100)	Volume index (Aug., 1946=100)
1947 Dec.	125.5	328.9
1948 Dec.	396.9	1,291.2
1949 May	700.3	1,645.9
Dec.	326.5	1,345.9
1950 Jan.	280.1	994.6

COMMERCIAL REPORTS

HONGKONG COMMODITY MARKETS

Cotton Piece Goods & Cotton Yarn

With the withdrawal of Philippine buyers upon satisfaction of their requirements, the **Cotton Piece Goods** market again became inactive and further falls in prices took place: Grey Sheeting, Four Lotus dropped to $38 per piece, Hung Fuk to $42, Mammoth Bird to $42, Peacock to $43 and Japanese 2023 to $37.50 per piece. White cloth, Fountain Hill fell to $45.50 and Nan Cheong to $43 per piece.

In the **Cotton Yarn** market prices generally fell with few transactions: Mahalakshmi Textile Mills and Lakshmi Mills 20's both rose to $820 per bale; falls occurred in Bengal 20's to $765 per bale, Coconut to $770, Double Peacock to $750, Flying Elephant to $960, Rajalakshmi Mills to $755, Flying Fish to $1186, Camel to $1160, Pine & Bamboo to $1150 per bale.

Metals

Buyers from both Taiwan and Tientsin were in the market during the week competing for **Mild Steel Plates** and with the prospect of further purchases by these interests and a reduction in stocks, prices rose: 4 x 8' 1/32" improved to $45 per picul, 1/16" remained at $35 and 3/32" rose to $35, ⅛" and 3/16" improved to $27 and ¼" to $28 per picul. Notwithstanding a lively demand for Japanese **Galvd. Mild Steel Sheets,** thin quality, on account of its low price, a further decline took place: Japanese G30 3' x 7' fell to $6.90 per piece and the Belgian specification to $6.90, while the Japanese 3' x 6' also dropped to $5.50 per piece. **Charcoal Plates,** with fresh arrivals, were dull, only few transactions taking place: 3 x 6' G18 rose to $45 per picul, G20 to $48; G22 fell to $49, G24 to $52 and G26 to $55 per picul. **Zinc Sheets** were weak and some buying by local factories failed to improve matters: Polish 3' x 8' G4 sold at $120 per picul, G5 which was mainly in demand fetched $110, G6 was quoted at $102, G7 at $95 and G8 at $123 per picul, while Belgian G5 stood at $111; indent prices were G5 £124 per ton, G6 £131 and G9 £121 per ton. As a result of lower stocks, the price of several specifications in **Mild Steel Bars** rose, the process being aided by increased indent prices: Square bars 20-22 ft. ½" to 1" rose to $32 per picul and 1¼" and 1½" to $33; Angle bars ¼" thick 2" and 2½" improved to $28 per picul; Round bars 40 ft. 1¼" rose to $33 per picul, 1½" to $35, and 4" to 6" to $37 per picul.

Cement

The recent reduction in the c.i.f. price of Japanese cement from $102 to $96 per ton has strengthened its competitive position on the local market, the 100 lb. bags selling for $5.40 for spot. Following the lower trend in prices, the Green Island Cement Co. have reduced the ex-works prices of their cement, except where other arrangements are in force under forward contracts, as follows: Emeralcrete rapid hardening 112 lb. bag to $7.25, Emerald brand ordinary cement 112 lb. bag to $6.25 and 94 lb. bag to $5.35. As a result of these reductions, prices on the local market also dropped: Emeralcrete rapid hardening 112 lb. bag fell to $8 and the Emerald brand 112 lb. bag to $7; Polish cement was offered at the lower price of $6.20 per 1 cwt. bag; Indochina Dragon brand in 94 lb. bags was quoted at $5.60, the indent price ex-ship being $4.90 per 94 lb. bag.

Paper

Buyers from South Korea, Taiwan and Malaya were in the Paper market attracted by the low prices ruling, but transactions were not on a large scale; prices, however, were affected by the unloading of stocks and fell somewhat: Newsprint in roll 52 gr. 31 in. remained at 31 cent per lb., 43 in. fell to 30 cents, but Norwegian 31 in. rose to 31½ cents per lb., Newsprint in sheets 50 lbs. 31 x 43" fell to $16.80 per ream; Bond paper, watermarked, 22" x 34" 32 lbs. white rose to $18.40 per ream, while 26 lbs. fell to $15.30, 30½ lbs. dropped to $17.30 and 32 lbs. coloured to $21 per ream.; Bond paper unwatermarked, 22" x 34" 26 lbs. fell to $15 ream; Cellophane paper 40 x 45 (British), being in demand, rose to $96 per ream, but British 36 x 39 fell to $68 as did Czechoslovakian 36 x 39 which dropped to $65 per ream; Half-bleached Parchment 24 lbs. 30 x 40 (Czech) sold at the improved price of $19.20 per ream; M.G. Sulphite paper 60-100 lbs. white fetched 48 cents per lb.; Pure Kraft in roll sold at 46 cents per lb.; Woodfree Printing showed a drop all round, 38 lbs., 42 lbs. and 100/110 lbs. selling at 60 cents per lb., 60-62 lbs. and 70 lbs. being offered at 56 cents.

Vegetable Oils, Ores and Other China Produce

The market in **Tungoil (Woodoil)** continued to show a decline with continued arrivals from North China and Canton and a slackening of the demand from abroad, all of which was added to by a reduction in the price in Canton. At the close of the market the price quoted was $167 per picul with two-weeks forward at $161, while the USA buying offer c. & f. was US 22 cents per lb. and offers from Europe c.i.f. were £190 per ton. On the other hand, an improved price in Canton caused an increase in the local rate for **Teaseed Oil** to $151 per picul for 4% acid, two-weeks forward being quoted at $149. **Aniseed Oil** 15% after having some sales at $610 dropped in price to $605 per picul. **Cassia Oil** 85% following an order from the USA at the offered rate of US$2 per lb. c. & f. improved to $1550 per picul although no transaction was effected, the US price being considered too low.

Although the export of China **Tin Ingot** is rigidly controlled by the People's Govt., large quantities manage to get through to Hongkong by devious routes, and these supplies have prevented any rise in price notwithstanding brisk dealings on the local market: Kwangsi 99% fell to $555 per picul and the Yunnan product to $550; Singapore 99.75% Marked Banker was offered at $560 per picul; 50% for soldering fell to $260 per picul and 40% for soldering to $207 per picul. Kwangsi **Copper Ingot** prices improved with demands from India, sales being effected at $104 per picul. Stocks of copper ingot are low, but supplies of old Chinese copper coins amounting to around 300 tons are on hand from which ingots are made; these are offered at $100 per picul but are not in favour with local smelters on account of their differing sizes and the lack of uniformity in their copper content.

Considerable quantities of **Cassia Lignea** have been received from Canton which has caused a decline in the price, especially as transactions of late have been limited by the fear of short weight with drying of the commodity in transit: the West River 84 catty packing fell to $46 per picul and the 60 catty packing to $43; Cassia unscraped from Tunghing fell to $71 and the Tunghing Cassia Whole to $76 per picul. Korean **Gallnuts,** as a result of a slowing down in arrivals, showed an increase in price to $110 per picul while the Szechuan 2nd qual. fell to $113. Szechuan **Ramie** sold at the increased rate of $192 per picul and the West River product was offered at $196. The price of East River **Rosin** on the other hand, with fresh arrivals, fell to $34 per picul. **Aniseed Star**

from Nanning was offered at $88.50 per picul for 1st qual. and $70 for 2nd qual. A few transactions took place in Hankow **Lime Cubes** but at the lower price of $25 per picul.

Large quantities of China **Tea** arriving from Taiwan and the mainland and the absence of substantial demands from abroad caused a decline in the market: Paochung special qual. was offered at $380 per picul and 1st qual. at $300, Broken Orange Pekoe fell to $280 and OP to $250 per picul.

Hongkong Frees Some Exports

The schedule of prohibited exports, under the "Prohibited Exports Order," 1946, was revised last week & trade in the following items, (which have ceased to be in short supply), was freed:—preserved milk of all kinds, sanitary ware, tin slabs and ingots, cement, cotton thread, cotton yarn except yarn manufactured in the United Kingdom, preserved ginger in casks, tinplate other than the types specified in the new Schedule, iron and steel except the types specified.

In consequence the Schedule of the above order was revised (in Supplement No. 2 of the issue of 5th May, 1950, of the Government Gazette—item No. A. 89) and the prohibited list now covers the undermentioned categories: Rice, Flour, Sugar, Butter, Cheese, Canned meats, (all kinds), Bacon, Ham and Peanut oil; Firewood and Charcoal; Bottles, (all kinds, empty or filled, whole or broken), Tinplates, (primes and unassorted, manufactured in the United Kingdom), Galvanized steel tubes and fittings, (screwed and socketed, all sizes), Boiler tubes and Mild steel plates to Lloyd's specifications; Gunny bags, Raw cotton, Cotton yarn manufactured in the United Kingdom; Philatelic stamps to countries other than countries within the sterling area.

It should be noted, in connection with any of the commodities now freed, if re-exported to non-sterling area countries, it will be necessary to conform to Exchange Control restrictions, i.e., the Green Form 2A, duly sighted by an Authorised Bank will be required

In future all applications for export licences under the Prohibited Exports Order should be submitted to the Department of Commerce and Industry, Telephone House, Des Voeux Road, except applications in respect of flour and sugar which should continue to be made to the Marketing Section, Department of Supplies and Distribution, Mercantile Bank Building, Queen's Road.

INDUSTRIAL CHEMICALS MARKET

Recently although very few North China buyers were on the market, yet Singapore, Manila, and Siam buyers showed interest. As almost every chemical here is much cheaper than in country of origin, importers in South East Asia had better cable their agents in Hongkong for arranging purchases. In the past two weeks the market was supported by this force, however, the tendency of the market cannot be made strong due to heavy stocks. The business prospect in Shanghai is still on the dull side. As depreciation in prices and no business to be done there, many Shanghai industrial chemical dealers are now applying for suspension of their business.

Caustic soda solid. Over several thousand drum business was recorded for the USA origin 700 lb. drums, firstly sold $73 per drum up to $80. ICI Crescent brand 300 kg drums sold from $83 down to $80, and later up to $87 per drum when more demands for USA origin 700 lb. drums. If export demand can be maintained by Singapore and Manila exporters the price is expected firm, otherwise it will drop again as the stock is still plentiful.

Hexamine. It is medicinally used as diuretic, but in industry it is used as a rubber accelerator too. English origin 1 cwt drums sold a lot at $1.55 per lb. **Nitric acid.** A lot of USA origin 57 lb. carboys sold 85 cts. per lb. The local consumers and Macau exporters are always on the market, however, the quantity for every business is small. **Ferric chloride.** Dutch origin 100 kg drums sold $80 per drum. Small export demands. As the quantity required is limited, it cannot be imagined good future prospect. **Potassium chlorate.** Rather big business recorded. Market in spite of coming down is rather active. Export demands by Swatow and by local match manufacturers. Firstly USA origin 220 lb. metal drums sold 46 cts. per lb. and sliding down to 38 cts. and 39 cts. for the 200 lb. metal drums. Swiss origin 50 kg or 100 kg wooden barrels were sold a few lots around 37 cts. per lb. Finland origin 50 kg wooden cases after a few lots sold at 38 cts., the stock begins to decline, and now some buyers cannot obtain the goods even paying up to 40 cts. per lb. From this point of view if export demand continues, the stock of other packings may gradually decline too, and the price of other packings may possibly advance.

Sulphur powder. About one thousand ton business was established. Both 100 lb. and 50 kg. bags are sold from $6.80 per picul down to $6.40. Partly consumed by local speculators and partly for export. As the stock is quite heavy the price is unable to sell up in spite of a rather big figure business being recorded. **Bleaching powder 70%.** Frequent demands but price came down. USA origin 130 lb. drums sold from $1.50 per lb. down to $1.40. **Bleaching powder 35%.** As demand is not so heavy as before, the price of ICI Red Heart brand 50 kg drufs sold from $26 per drum down to $24.50, and then $23.50. **Citric acid.** Crystal form English origin 1 cwt. drums sold a lot at $1.30 per lb. According to the present dull tone it is believed to obtain at cheaper price again. **Sodium bicarbonate.** Occasional demands but market on easy side. ICI Crescent brand 100 kg bags sold around $33 per bag, but France origin of the same packing can be obtained at $28. **Formalin.** Continuous demand by local plastic manufacturers. English origin 448 lb. metal drums sold from 32 cts. per lb. down to 28 cts. **Zinc choloride.** Belgium origin 1 cwt. drums sold from $800 down to $750 per long ton. **Sodium cyanide.** ICI 50 kg drums sold 85 cts. per lb., whereas the English origin 50 kg drums but of sodium and potassium double salt compound sold 82 cts. Business contracted is not so large as previous weeks, as exporters have bought enough. **Soda ash.** Big business concluded for ICI Crescent brand 90 kg bags dense grade at $26 to $27 per bag. It is partly exported to Malaya and partly to Korea. The USA origin 100 lb. paper bags dense grade sold down from $13 per bag to $12.40 again. The USA origin dense grade stock is not large now, the reason of selling down again is due to the stock holder urgently in need of money.

Sodium silicate. ICI Pyramid brand 320 kg drums sold $105 per drum, and the Dutch origin 330 kg drums sold at the same price too. Small orders for ICI Crescent brand 340 kg drums sold $120 per drum, if bigger quantity, it may be available a few dollars cheaper. **Sodium hydrosulphite.** This item sold much below indent price too. The USA origin 250 lb drums sold a few lots from $155 down to $145 per picul. The France or English origin will be about $100 per picul too. **Gum Arabic bead.** Several lots were sold. The ICI 100 kg bags sold from 68 cts. up to 70 cts. per lb., whereas the Indian origin 100 kg bags sold 64 cts. only. **Zinc oxide.** Occasional demands cannot excite the weak market. There was no more business recorded except a few lots of South Africa origin white seal 1 cwt bags sold around 58½ cts. per lb. **Sulphur black.** Market slid down. National's No. 693 100 catty drums sold from $215 per picul down to $200. Buyers are tired. **Congo red.** Same fate as sulphur black. National's No. 210 100 catty drums now is sold $430 per picud only. **Glacial acetic acid.** Price declined. Italy origin **25 kg carboys** firstly sold 52 cts. per lb., and then down to 44 cts. Business concluded is limited. **MBT.** The market of this item seemed to be going up or at least to be steady for a considerable time, however, it was unexpected that the price came down again and lowest price is now recorded. From this point of view it is understood that merchants are anxious to sell out their stock. English Monsanto 224 lb. metal drums sold $1.20 per lb for a few lots.

DPG English Monsanto 150 lb. metal drums sold scores of drums at $1.60 per lb. **Lithopone** German make 50 kg bags sold down from 24 cts. per lb.

Hongkong Airport: Traffic of Regular Users in April 1950

	Arrivals				Departures			
	No. of A/C	Passengers	Mail (Kgs)	Freight (Kgs)	No. of A/C	Passengers	Mail (Kgs)	Freight (Kgs)
B.O.A.C.	23	319	7213	12127	24	514	7595	17394
H.K. AIRWAYS	21	190	251	669	21	225	826	17546
P.A.A.	30	603	29	4318	30	652	NIL	2799
C.P.A.	30	353	247	976	31	533	1623	10591
P.A.L.	17	273	275	4930	16	420	1956	6891
P.O.A.S.	9	86	143	1009	10	182	137	10611
T.A.A.	5	23	NIL	1138	6	117	NIL	NIL
S.A.F.E.	4	20	144	2719	4	108	NIL	213
AIR FRANCE	13	457	510	909	13	419	382	1003
S.A.C.	4	25	28	26	4	36	NIL	703
MATCO	10	63	NIL	NIL	10	43	13	60
C.P.A.L.	4	33	73	739	4	126	433	116
QANTAS	2	12	35	533	2	15	93	72

to 23½ cts. **Calcium carbonate** Japan origin heavy grade 50 kg. bags sold small lots at $200 per metric ton. **Potassium bichromate** ICI crystal form sellers asked for 77 cts. per lb., but buyers paid less. **Rosin** WW grade 515 lb. drums sold a lot at $48 per picul. Its price is approximately level to the native products. This grade is much purer than native. Importers of this item have lost about 40% of their indent price. **Extract of quebracho.** Small business was done. It is required by Swatow exporters. Crown brand 105 lb. bags sold $77 per bag. **Extract of mimosa.** Market also easier. Elephant brand 112 lb bags sold spot goods at $47 per bag, whereas a lot of forward sale arriving Hongkong late April at $43.50. **Aniline oil.** There was some demand for this item. It is always exported to Shanghai. Australia origin 448 lb drums sellers asked for 75 cts. per lb. but buyers paid 55 cts.

Hongkong Aviation Report for April 1950

	Arrivals			Departures		
	Passengers	Mail (Kgs.)	Freight (Kgs.)	Passengers	Mail (Kgs.)	Freight (Kgs.)
United Kingdom	52	4796	4672	146	4066	5572
Europe	58	215	3148	134	81	250
Middle East	33	357	610	174	309	662
Calcutta	62	68	152	60	134	132
Rangoon	24	180	52	53	90	1355
Singapore	165	1578	1586	225	2404	10978
Bangkok	422	352	2748	523	232	15250
Fr. Indochina	540	510	912	499	382	2597
Macao	42	—	—	8	—	40
Philippines	533	351	4331	778	1393	6671
Japan	302	284	7353	379	1270	2685
U.S.A.	16	—	2813	135	1347	3370
Australia	12	35	533	15	85	72
China	280	1421	1635	638	1067	30286
Honolulu	19	—	111	77	61	828
Canada	9	53	204	108	382	86
Total	2669	10200	30860	3952	13303	80834

No. of arriving aircraft: 238 No. of aircraft departing: 239

Hongkong Aviation Returns

for April 1950

	CIVIL AIRCRAFT		PASSENGERS		MAIL (Kilograms)		FREIGHT (Kilograms)	
	Arrivals	Departures	In	Out	In	Out	In	Out
Monthly averages for 1948	595.3	—	9,591.7	9,381.6	13,726¼	13,649¼	42,920	100,985.58
Monthly averages for 1949	1,061.6	1,057.5	12,245.8	13,312.4	13,842	14,576	237,690	272,656
1950:								
January	253	250	3,151	4,012	11,196	11,746	43,350	59,200
February	197	203	2,604	2,934	9,761	10,666	35,942	59,869
March	256	250	3,290	3,819	11,310	13,273	43,941	63,164
April	238	239	2,669	3,952	10,200	13,303	30,860	80,834

Total aircraft for Jan.-April 1950 in and out: 1,888; total passengers: 26,431; total mail: 91,455 kgs., total freight: 417.1 metric tons.